VOLVO

1968

ENGLISH EDITION

In August 1968 the Company introduced a new car with a six-cylinder engine — the Volvo 164.

VOLVO

ANNUAL REPORT FOR 1968 — FORTY SECOND YEAR OF OPERATIONS

Contents

General Meeting

The Annual General Meeting will be held in the Volvo Hall at the Volvo Head Office in Gothenburg at 10 a.m. on Monday, May 5th, 1969. Shareholders wishing to attend should notify the Board not later than Wednesday, April 30, 1969.

Proposed Distribution of Profits

The balance of unappropriated earnings available for disposition by the General Meeting amounts to kr. 194.5 million. The Board and Managing Director propose to the General Meeting that a dividend should be paid for the year 1968 on Coupon No. 34 of kr. 5: 50 per share of which kr. 2: — consists of an extra bonus. The dividend, which corresponds to 11 % of the Company share capital, will absorb a sum of kr. 37.6 million and can be drawn immediately after the General Meeting.

AB Volvo

The Board

FRANZ HARTMANN (Chairman), Gothenburg
HADAR H:SON HALLSTRÖM (Deputy Chairman), Hälsingborg
GUNNAR ENGELLAU Gothenburg
BENGT JUNKER Stockholm
EBBE SVENSSON Bromma
ULF AF TROLLE Askim
PER CARLSSON Hovås
TORE BROWALDH Stockholm

Deputy Members

LEIF MAGNUS Copenhagen
SVANTE SIMONSSON Gothenburg
LENNART VON KANTZOW Åtvidaberg

The Management

GUNNAR ENGELLAU Managing Director
SVANTE SIMONSSON first Deputy Managing Director
PER EKSTRÖM second Deputy Managing Director
PER ERIKSSON Director of Sales
TORD LIDMALM Technical Director

Auditors

LARS ELVSTAD Authorized Public Accountant
GÖSTA JACOBSSON Authorized Public Accountant

Deputy Auditors

ÅKE FRYKLUND Authorized Public Accountant
SVEN-RUNE ROHLIN Authorized Public Accountant

Auditor for the Volvo Group of Companies

LARS ELVSTAD

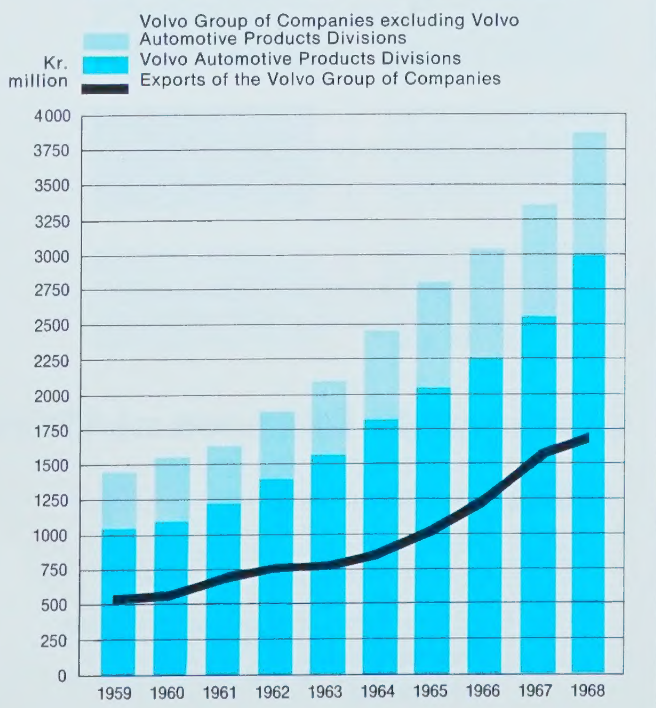
Financial Highlights

(amounts in kr. million unless otherwise stated)

	Volvo Group		Parent Company	
	1968	1967	1968	1967
Sales	3,864.8	3,410.0	2,507.6	2,170.7
Income before allocations and taxes	472.4	317.8	398.8	252.9
in % of sales	12.2	9.3	15.9	11.7
Allocations	174.7	120.3	164.1	101.6
Taxes	167.1	107.1	118.0	72.0
Net income	130.6	90.4	116.7	79.3
in kr. per share	19: 10	13: 20	17: 05	11: 60
Proposed dividend, Parent Company	—	—	37.6	30.8
in kr. per share	—	—	5: 50	4: 50
Calculated income in kr. per share*	32: 40	22: 70	29: 60	19: 70
Capital expenditure during year	156.1	178.4	93.1	125.2
Number of employees at 31st December	25,879	24,268	15,759	13,853
Salaries and wages	635.9	579.4	373.8	342.0

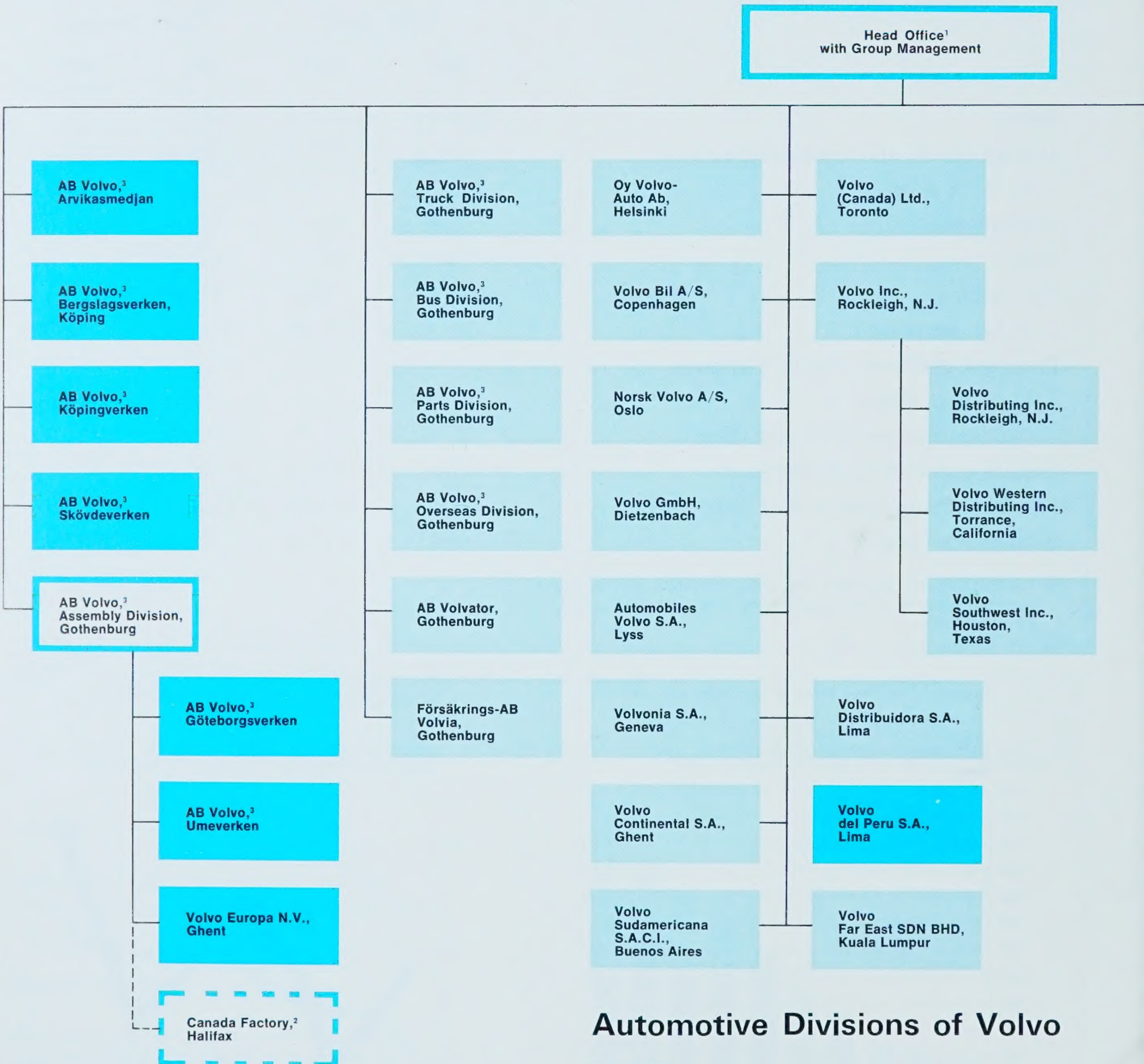
*) The net income accounted has been increased by the allocations but reduced by the calculated taxation decrease implied by the allocations.

Turnover of the Volvo Group of Companies 1959—1968



AB Volvo, income before allocations and taxes in percentage of turnover 1959—1968

Organization Plan of the Volvo Group of Companies

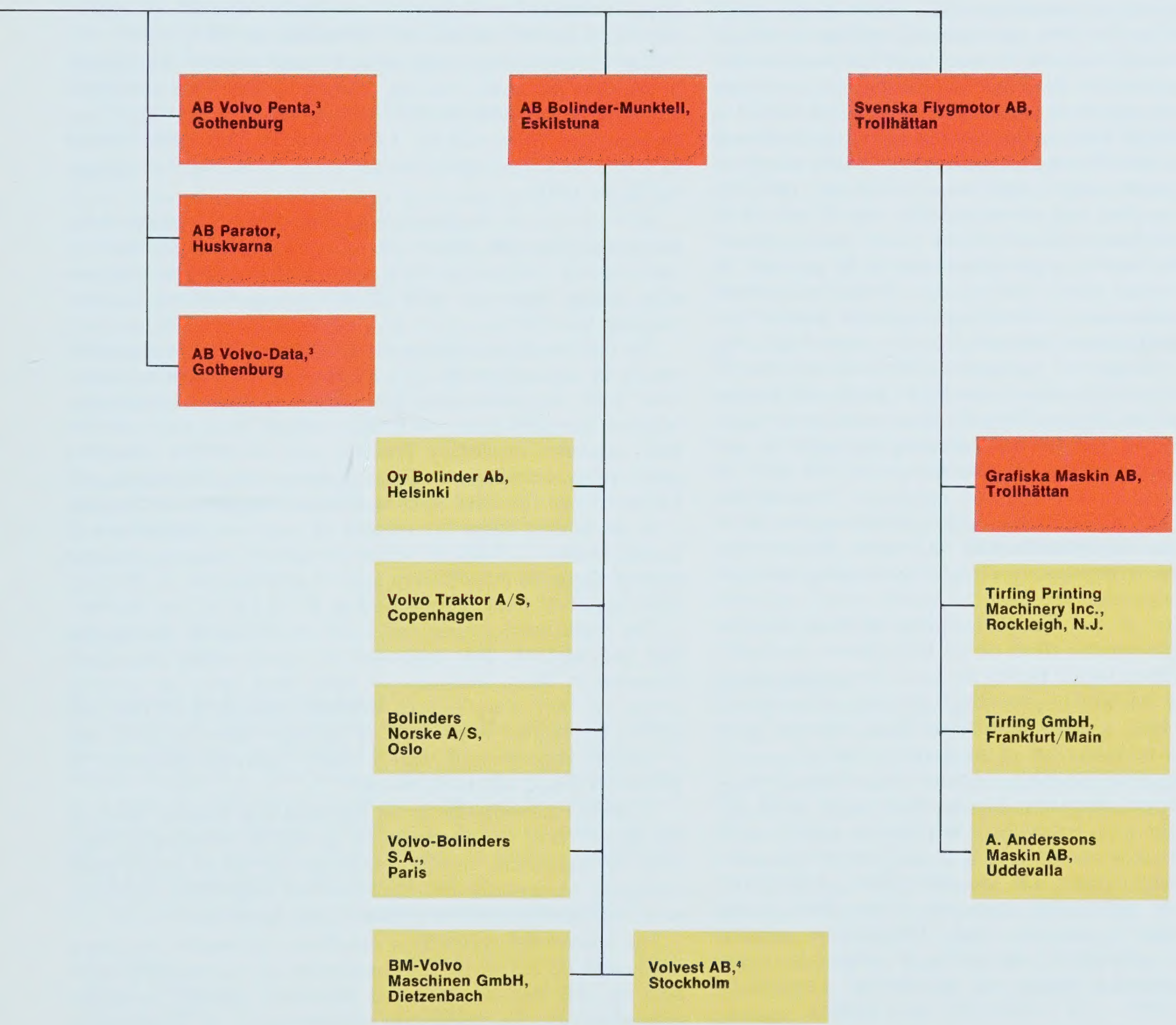


Automotive Divisions of Volvo

Production units

Result units
(= operational business units)

[1]) The Head Office is here also taken to include the departments for the marketing, design and development of cars.
[2]) Included in Volvo (Canada) Ltd. from viewpoint of organization.



The remainder of the Group

Companies with production and sales

Sales companies

[3]) Included in accounts of AB Volvo.
[4]) 50 % of company owned by AB Bolinder-Munktell and 50 % by AB Volvo.

The Volvo Group of Companies 1968

Economic Survey

International economic activity improved during 1968. World production and international trade both increased at roughly double the rate of 1967. In the United States economic growth produced symptoms of overheating and so deflationary measures were introduced. At the same time uneasiness continued in foreign exchange markets because both the world's two largest reserve currencies, the dollar and sterling, suffered from large balance of payments deficits. This, coupled with the strikes and unrest in France, led to frequent foreign exchange crises during the year. The improvement in the United Kingdom balance of payments which had been looked for with the devaluation of sterling did not materialize and in an effort to check further deterioration, indirect taxes were increased and a six-months import deposit, representing 50 per cent of the value of imported goods, was imposed. France was forced, among other measures, to reintroduce exchange control and to seek large international support. On the other hand, the West German balance of payments continued to show a surplus and the already large reserves of gold and foreign currencies grew even further. West German industry strengthened its competitive position by increasing productivity and moderating wage increases. Towards the end of the year an attempt was made to improve the imbalance between the Deutsche mark and other currencies by introducing tax relief on imports and an equivalent impost on exports. These deflationary and support measures succeeded in avoiding changes in exchange rate parities.

The turbulence in the foreign exchange markets did not have such an unfavourable effect on the international economic situation as had been feared during the year. Production within the countries of the OECD grew by 5 per cent, as against 3 per cent during 1967, while trade between them increased more than 10 per cent, twice the rate of the previous year.

The recovery in the Swedish economy was slower than in most other industrial countries. The increase in the GNP did not exceed 3.5 per cent. Industrial investment in capital goods was more or less at an unchanged level and production capacity was not fully utilized. On the other hand productivity increased and the inflationary pace was slower than at any other time during the last ten years. Furthermore, exports developed fairly satisfactorily increasing in volume by 9 per cent. Imports grew at a similar rate and showed a surplus of 954 million kr. (1967 — 897 million kr.) over exports.

Market conditions

The general improvement in business activity also had a favourable effect on the market situation for motor vehicles and other Group products. There were, however, wide variations in demand between the various countries.

The production of cars increased to a marked extent on the whole, mostly in Japan (+ 50 %), in West Germany and in Canada (both + 25 %). In the USA the increase was 20 %. Total world production of cars was 21.7 million compared with 18.5 million units in 1967.

In Sweden the production of cars increased by 15 % to 223,330 units.

The Swedish "Motor vehicle trade balance" i.e. the difference between exports and imports of motor vehicles and component parts, continued to improve and finally showed an export surplus of kr. 436 million (kr. 332 million in 1967).

The percentage of total exports from Sweden represented by the Swedish motor vehicle industry during 1968 amounted to 7.3 % or kr. 1,866 million (during 1967 the corresponding figures were 7.1 % and kr. 1,666 million). The Volvo Group of Companies was responsible for 6.7 % of all Swedish exports (6.4 % in 1967).

Sales of *cars* on the Swedish market, which had continually decreased since the record year of 1965, started to increase again during 1968 and attained a figure of 213,103 new registrations of cars compared with 176,489 cars in 1967, an increase of more than 20 %.

The number of new registrations in Western Europe increased totally by approximately 3 %. Sweden and the Benelux countries were responsible for the greatest percentual increases. Medium increases or an unchanged volume were noted for the EEC countries (excluding Benelux) and the EFTA countries apart from Scandinavia. Sales decreased in Denmark and Finland while the sales level in Norway remained unchanged.

In the United States the number of new cars registered was 9.4 million (+ 12.5 %), of which 8.4 million units (+ 11.1 %) were of domestic manufacture and 1.0 million units (+ 26.5 %) were imported units, corresponding to 10.5 % of the market.

The truck market remained weak on the whole during the first half of 1968. This depended to a great extent on a continuation in West Germany of sales from stock at reduced prices on both the German domestic market and also for export. During the second half of the year, however, there was a marked improvement with a heavy demand, primarily in Western Europe including Sweden.

A marked deterioration on the *bus* market in Sweden followed the high level of bus purchases in connection with the changeover to right-hand traffic. Increased demands from other countries, particularly the Scandinavian neighbours, compensated this deterioration to a great extent however.

The market for *agricultural machinery* in Sweden remained unchanged on the whole. The percentage of the tractor market held by AB Bolinder-Munktell decreased slightly, primarily depending on the temporary improvement in competition gained by British tractor makes as a result of devaluation in England.

Exports of agricultural machinery increased. During the year Canada, where Bolinder-Munktell introduced its products in 1967, purchased considerable numbers of both tractors and combine harvesters.

Deliveries of Bolinder-Munktell *industrial machines* decreased in Sweden, primarily depending on smaller deliveries to the forestry industry.

The export of industrial machines, on the other hand, increased to a marked extent with loading machines as the dominating group of products.

There was an increase in the demand for Volvo Penta

marine and industrial engines on practically all markets. Exceptions were Portugal, Spain and Greece where sales decreased.

In the United States the proportion of the market for inboard/outboard units (Aquamatic) increased.

Svenska Flygmotor AB was awarded considerable orders by the Swedish military authorities for RM *jet engines* for use in aircraft 37 Viggen. Sales of aero-engine components to other countries continued.

The market for *graphic machines* encountered even stiffer competition.

Sales

Total sales of the Volvo Group increased by 13 % from kr. 3,410 million in 1967 to kr. 3,865 million.

The relative position on the Swedish market of its products was well maintained on the whole.

Swedish sales increased by 10 % to kr. 1,486 million, this corresponding to 38 % of the total turnover. 35 % of the non-military products were sold on the domestic market.

Group exports increased by kr. 204 million to kr. 1,714 million, the distribution being as follows:

	kr. million 1968	kr. million 1967	+ — %
Scandinavia, Finland and Iceland	411	448	— 8.2
Europe, excluding countries above	499	442	+ 13.0
North America	549	417	+ 31.5
Other markets	255	203	+ 25.4
Total	1,714	1,510	+ 13.5
Exports to EFTA	654	640	+ 2.2
Exports to EEC	196	191	+ 2.7

Personnel and Employment

At the end of 1968 the number of employees within the Volvo Group amounted to 25,879. During the year the number of people employed at the Group Companies in Sweden increased by a total of 1,377. Of this number, more than 300 consisted of employees in companies which were newly acquired during the year. The number of employees in Group Companies abroad increased during the year by 234.

The following table shows the distribution of personnel:

	Wage Earners	Salaried Employees	Total
AB Volvo			
Head Office	994	2,319	3,313
Volvo Penta	167	260	427
Göteborgsverken	5,399	900	6,299
Skövdeverken	2,476	601	3,077
Bergslagsverken	400	97	497
Köpingverken	1,205	356	1,561
Umeverken	372	103	475
Parator Factory	70	40	110
SMT Machine Company AB	—	63	63
AB Bolinder-Munktell	2,623	1,595	4,218
Svenska Flygmotor AB	1,348	1,049	2,397
Other Group Companies in Sweden	376	401	777
Group Companies abroad	951	1,714	2,665
Total	16,381	9,498	25,879

The labour market in Sweden was characterized towards the end of the year by a new increase in personnel turnover and there were difficulties in recruiting the labour force, this particularly applying to the factories in Gothenburg. The additional labour force made necessary by the increase in production could be obtained by the use of foreign labour, primarily from Finland and also from Denmark to a certain extent.

The level of employee absence in the Group Companies in Sweden during recent years has been at a high level, more than 10 % for most companies. In co-operation with employee delegates, measures were adopted to counteract this tendency. A further factory in this connection is a preventive health service carried out in all the Group manufacturing companies in Sweden under the leadership of about ten permanently employed doctors.

The level of employment during the entire year was very good in the car sector of the Automotive Products Divisions. The manufacture of commercial vehicles, trucks and buses, carried out during 1967 and the beginning of 1968 at a rate which was considerably lower than the available productive capacity, was gradually increased during the year. At the end of 1968, the rate of production fully utilized the capacity available.

The number of employees at the Bolinder-Munktell factories decreased by about 125. This development was the result of decreased manufacturing programmes for some groups of products, lower personnel turnover and the application of rationalization measures.

Investments

Group investments during 1968 attained kr. 156 million, this being kr. 22 million lower than during 1967. The past year represented for the Automotive Divisions of Volvo an investment period which will be immediately followed by a new expansion period with considerably greater capital expenditure in plant than during any earlier period in the history of the Company. These plans are described in more detail below.

Also during 1968, some of the Group manufacturing companies in Sweden were granted permission by the authorities to utilize reserves for future investments. These permits were utilized during the year to a total value of kr. 73 million, this including kr. 19.5 million by transfers to the stock investment account.

Detailed information concerning the investment activities is included in the Management Reports for AB Volvo, AB Bolinder-Munktell and Svenska Flygmotor AB.

Group Results

The turnover of the Group increased during 1968 by 13.3 % (1967 +12 %) or rather less than the corresponding increase for the Parent Company which was 15.5 %. There was a stagnation in the turnover of Bolinder-Munktell while that of Svenska Flygmotor increased only insignificantly. The manufacture and sales of machine tools carried out by Köpings Mekaniska Verkstad were taken over by the National Swedish Defence Factories with effect from January 1, 1969 (see commentary

on page 42). The distribution of Group turnover was as follows:

	kr. million	+ %
Parent Company	2,507.6	15.5
Swedish subsidiaries	857.5	4.8
Foreign subsidiaries	499.7	18.8
Total	3,864.8	13.3

The income of the Group before allocations and taxes increased by kr. 154.6 million (49 %). The Parent Company and its foreign subsidiaries were responsible for the whole of this increase with improved profitability for all branches of products. The car sector further increased its proportion of the surplus but the development of commercial vehicles was also satisfactory.

As far as the Bolinder-Munktell range of products was concerned, industrial units were responsible for improved profitability but there was a deterioration in agricultural and forestry machinery. Manufacture by Svenska Flygmotor of aircraft engines and development work in this connection produced the same result as earlier while there was a further deterioration in graphic machines and clearly unsatisfactory development concerning profitability.

The foreign subsidiaries of the Volvo Group Automotive Products Divisions, with the exception of the companies in Peru, all attained a very satisfactory result and their combined surplus corresponded to 14 % of Group income before allocations.

The contribution made by Volvo to the Group income represented 81 % (the factors which had such a favourable effect on the result development of the Parent Company are commented on page 12). Some of these factors, such as developments in material prices, personnel turnover and the moderate increases in salaries, wages and costs in Sweden during 1968, could also be noted by the other manufacturing companies in Sweden.

Within the Parent Company and Bolinder-Munktell, the surplus was allocated to the maximum consolidation permissible from taxation viewpoint and also allocations to reserves for future investments.

When judging the very satisfactory improvements in the results of the Group during 1968 and concerning future estimates of profitability, the following points must be taken into account:

Particularly the surplus from the car sector is a result of large investments made during earlier years in product development, plant and sales organizations, particularly on the export markets,

a high utilization of the manufacturing capacity is of vital significance,

considerably increased investments are anticipated for expansion and product development,

the high level of liquidity (liquid assets and investment loans at the end of the year = kr. 912 million) provides a good result surplus in addition to freedom of action.

The development plans of the Volvo Automotive Divisions

In February 1969, the Managing Director published an investment plan for the Automotive Divisions of Volvo which had been worked out with respect to the anticipated continued expansion of the activities of the Company during the 1970's. This plan consists primarily of expenditure of approximately kr. 1,300 million during the next five years on the Volvo organization in Sweden but also anticipates further investments for expansion of the foreign organizations.

Capital expenditure in Sweden will largely consist of the following:

Research and development

A "technical centre" is to be built at Torslanda for the design, testing and development of cars. This is also to house institution premises with laboratories for the "Central Research and Development" unit.

Greater resources are also to be created for the long-term product development of trucks and buses.

A central test installation for safety problems concerning all types of Volvo vehicles is to be erected.

Expansion of production units at Bengtsfors, Floby, Gothenburg, Köping, Skövde and Umeå as well as a new factory at Färgelanda. The largest of these investments will be in the Torslanda Factory in Gothenburg.

For these investments it will be possible to utilize up to kr. 316 million (75 % of kr. 421 million) of Company investment reserves within the framework of the permit granted during February 1969.

The investments abroad include expansion of both the production resources and the distribution plants. Extensions are thus being planned for the assembly plants in Belgium and Canada and investments within the sales and service organization will primarily concern the EEC markets, particularly Germany and France.

Planned expansion will lead to an increased demand for personnel. During the five-year period, the personnel in Sweden is expected to increase by 6,000 employees of all categories sub-divided over all production plants with the greatest increase in the Torslanda area.

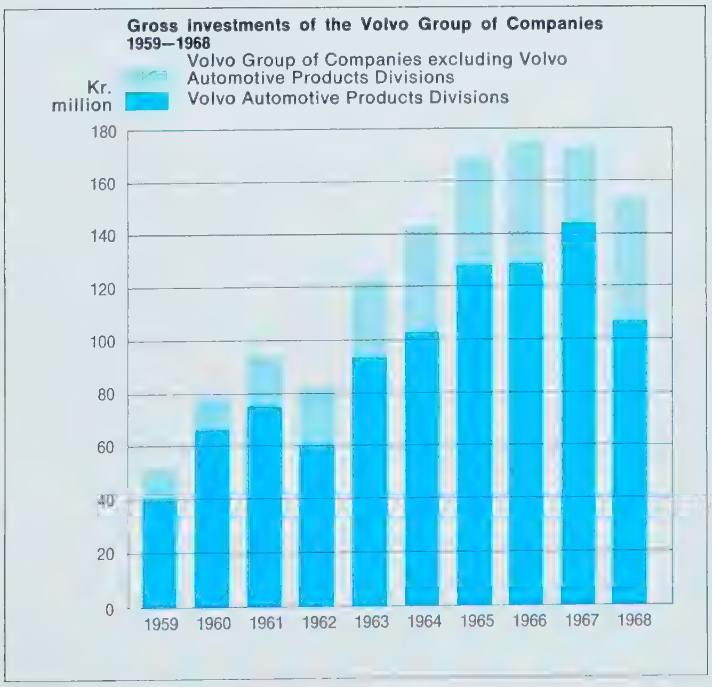
With this investment programme, it is expected to be possible to increase the production capacity of cars to 275,000 units in 1975, but even now the objective has been specified as being 350,000—400,000 units at the end of the 1970's.

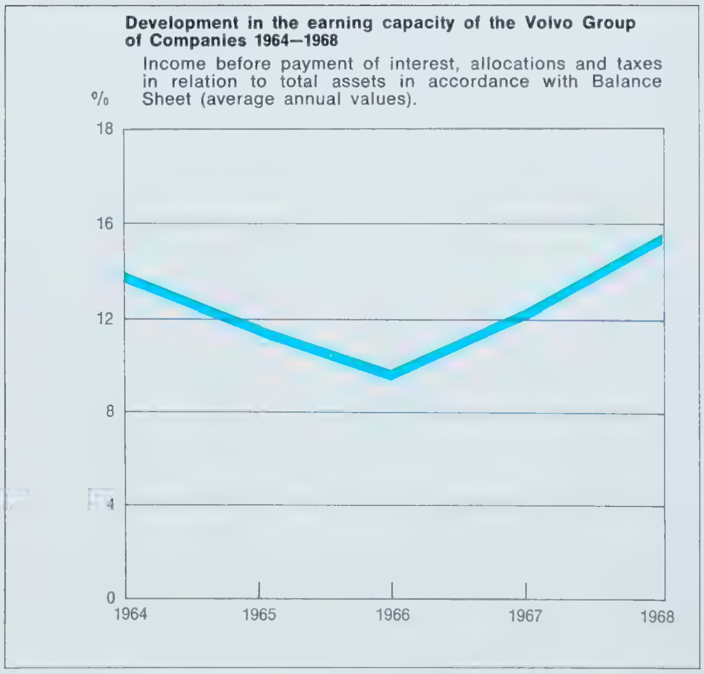
Acquisition of Olofström AB

Agreement was reached on March 7, 1969 with Alfa-Laval AB concerning the acquisition by Volvo of all shares in Olofström AB. This agreement came into effect the same day and the purchase sum, kr. 140 million, was paid in the form of a promissory note to be redeemed in cash on December 30, 1970. The sections of the Olofström manufacturing programme not concerned with motor vehicle parts and the tools for these remained in the Alfa-Laval Group together with the associated plant and equipment. This concerned primarily the Mörrum factory.

In connection with this transfer, all the financial relations influenced by the 1960 agreement between the two Groups were finally settled.

Since the 1930's, Olofström has been the leading supplier to the Volvo Group of car bodies, pressings for bodies and also other car, truck and tractor parts of sheet-metal. This means that Olofström makes up a very important link in the integrated Volvo production. The fact that Volvo has now taken over Olofström is therefore to be considered as a natural form of structural rationalization. It forms a firmer basis for the planning of the anticipated marked increase of car production during the 1970's.





Consolidated Statement of Income for 1968

(amounts in kr. million)

	1968		Change from previous year
Sales		3,864.8	+ 454.8
Cost of sales, selling and administrative expenses (of which depreciation according to plan 94.0)		3,438.1	+ 326.4
Operating income		426.7	+ 128.4
Miscellaneous income			
Interest	74.7		+ 24.8
Sundry income	8.2	82.9	— 2.5
		509.7	+ 150.7
Miscellaneous expenses			
Interest	31.7		+ 0.1
Sundry expenses	5.5	37.2	— 4.0
Income before allocations and taxes		472.4	+ 154.6
Allocations			
Allocation to general stock reserves	22.4		+ 17.1
Extra depreciations re-transferred	16.0		+ 10.4
Allocation to reserves for future investments	166.7		+ 55.2
Writing-down of shares	1.6	174.7	— 7.5
Income before taxation		297.7	+ 100.2
Taxes on income		167.1	+ 60.0
		130.6	+ 40.2
Minority share in income		0.0	— 0.8
Net income for 1968		130.6	+ 41.0

Consolidated Balance Sheet as at December 31, 1968

(amounts in kr. million)

Assets	1968		Change from previous year
Current assets			
Cash at banks and in hand	151.9		— 88.0
Short-term loans and investments (note 1)	760.1		+ 405.8
Debtors (note 2)	683.5		+ 66.0
Stocks (note 3)	950.5	2,546.0	+ 2.2
Investment account with Sveriges Riksbank		38.0	+ 22.4
Fixed assets			
Shares and stockholdings	24.2		+ 2.1
Property, machinery and equipment (note 4)	834.8	859.0	+ 58.7
Total assets		3,443.0	+ 469.2

Liabilities and shareholders' equity			
Current liabilities			
Suppliers	345.3		+ 61.7
Advance payment from customers	213.9		+ 43.9
Bank loans	94.9		— 26.5
Dividend for the year in Parent Company	37.6		+ 6.8
Sundry creditors and provisions	613.4	1,305.1	+ 100.2
Long-term liabilities			
Promissory loans and mortgage loans	129.8		+ 24.8
Bond loans	52.8		— 7.9
Pensions liabilities	125.5	308.1	+ 14.0
Special allocations			
General stock reserves	500.2		+ 23.3
Stock investment account	19.5		+ 19.5
Reserves for future investments	294.4		+ 95.9
Accumulated extra depreciation	303.5	1,117.6	+ 37.3
Minority interests in subsidiaries		0.1	— 19.9
Shareholders' equity			
Share capital	342.0		—
Legal reserves	192.9		+ 37.5
Unappropriated earnings (note 5)	177.2		+ 58.6
Total shareholders' equity		712.1	+ 96.1
Total liabilities and shareholders' equity		3,443.0	+ 469.2

Securities pledged		467.9	+ 42.0
Contingent liabilities		93.6	— 12.9

Management Report

Volvo sales during 1968 amounted to kr. 2,508 million. The increase in sales, kr. 337 million or 15.5 %, was the largest during the 1960's both in absolute figures and also as a percentage.

Sales of cars including spare parts were also responsible during 1968 for the most marked rate of increase or 18 %, but commercial vehicles also increased (8 %) and thereby regained almost fully the ground lost during 1967.

The value of deliveries to the Swedish market, which decreased during the years 1966 and 1967, increased by 20 % while the increase in exports was 13 %. This meant that the proportion of turnover represented by exports decreased slightly to 58 % compared with 60 % in 1967.

The production of vehicles increased to 183,200 units, of which 170,700 were cars and 12,500 commercial vehicles. Car production increased by 22,000 units and the production of commercial vehicles was 1,200 units greater than the corresponding figure for 1967.

The manufacturing capacity for cars was utilized to the maximum degree while in the heavy sector of the Company, on the other hand, there was surplus capacity available during the greater part of the year. After a rather too large stock of finished trucks had been disposed of during the first half of the year and the number of incoming orders increased at the same time, the manufacturing programmes were gradually increased so that the available production capacity was fully utilized at the end of the year.

The conditions described above imply a gradually improved utilization of productive capacity in the Company factories. At the end of 1968 the number of wage-earners in the various Volvo factories in Sweden was more than 1,000 higher than at the beginning of the year.

The trading results were considerably better than in 1967 and attained a record in the history of the Company. The budgeted result for the year was also exceeded.

The following table presents a concentrated analysis of the trading results for 1968 with comparative values from 1967.

	1968 kr. million	1968 %	1967 kr. million	1967 %
Sales	2,507.6		2,170.7	
Less:				
Materials (including freight charges, tools and guarantee costs)	1,539.3	61.4	1,395.4	64.3
Wages and salaries: Wage earners	217.9	8.7	199.4	9.2
Salaried employees	155.9	6.2	142.7	6.6
Depreciation according to plan	63.7	2.5	55.1	2.5
Miscellaneous costs	195.0	7.8	169.6	7.8
Balance	335.8	13.4	208.6	9.6
Add:				
Dividends, interest surplus	62.9	2.5	44.4	2.0
Income before allocations and taxes	398.8	15.9	252.9	11.7
which through proposed dispositions is distributed as follows:				
Taxes	118.0	4.7	72.0	3.3
Dividends	37.6	1.5	30.8	1.4
Retained earnings	243.2	9.7	150.2	6.9

Apart from the large increase in volume described above of both sales and production, several favourable factors combined to improve the trading results.

The Swedish market increased its proportion of the surplus by higher volume, but the profitability of export sales was also further improved.

The manufacturing costs for both cars and commercial vehicles developed favourably during 1968.

The following factors were primarily responsible for this:

Material prices on the average were rather lower than 1967, even if it was possible to note an increasing tendency towards the end of the year, for example concerning body metal.

Successfully applied rationalization, primarily within production but also in the management engineering field, was able to compensate entirely for the relatively moderate wage, salary and cost increases in Sweden. Profits in the level of occupation for car production compensated for corresponding losses in the manufacture of trucks and buses.

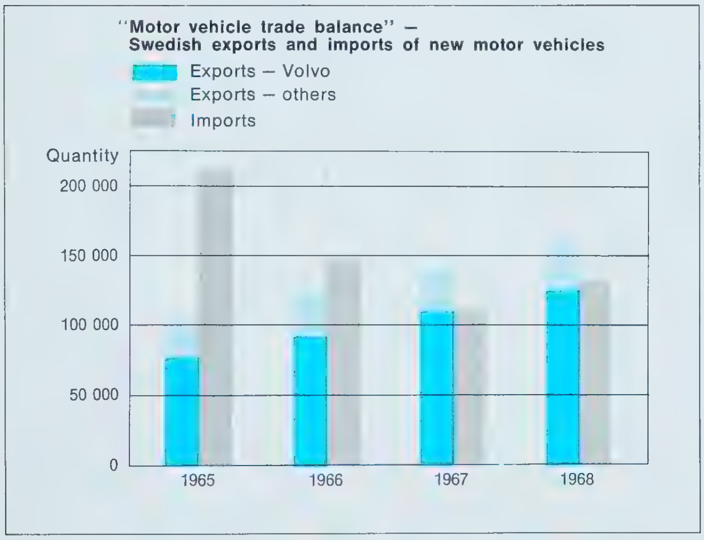
The costs of product development in the Company, including tool costs were rather greater than in 1967. Within this range of Company activities, however, it is anticipated that the investments will increase considerably during the next five-year period.

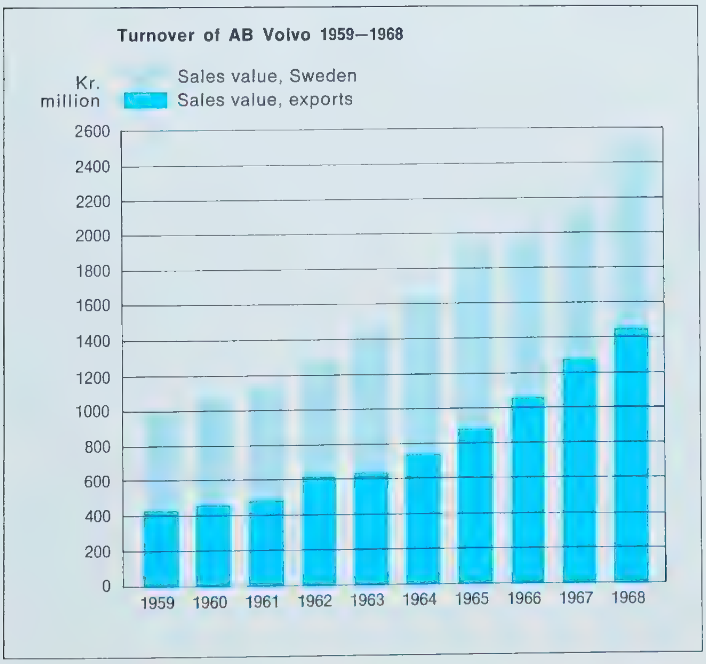
Finally, the marked improvement in liquidity resulted in a higher net interest, this being responsible for more than kr. 20 million of the improvement in the trading results.

The liquidity of the Company, expressed in the form of the sum of cash at banks and in hand as well as short-term loans and investments, amounted to kr. 710 million at the end of the year. The increase during 1968 was kr. 205 million.

Apart from the trading profit for the year, a further factor which contributed to improved liquidity was a rather lower investment volume than during 1967 and also moderate increases in stocks and customer debts.

As far as 1969 is concerned, no further increase in liquidity is anticipated, because of factors such as a significant increase in investments and large payments of taxes.





Sales

The following table shows the distribution of sales between the main products, including spare parts, and also between domestic sales and exports:

	1968 Number	1968 kr. million	1967 Number	1967 kr. million
Cars	169,164	1,750.2	145,447	1,485.2
Trucks	11,928	543.4	11,041	492.6
Buses	872	42.9	863	48.0
Other products .	—	171.1	—	144.9
Total	181,964	2,507.6	157,351	2,170.7
Of which for				
Sweden . . .	58,547	1,044.0	47,010	869.7
Export . . .	123,417	1,463.6	110,341	1,300.9

Sales in Sweden increased by 20.0 % and exports by 12.5 %.

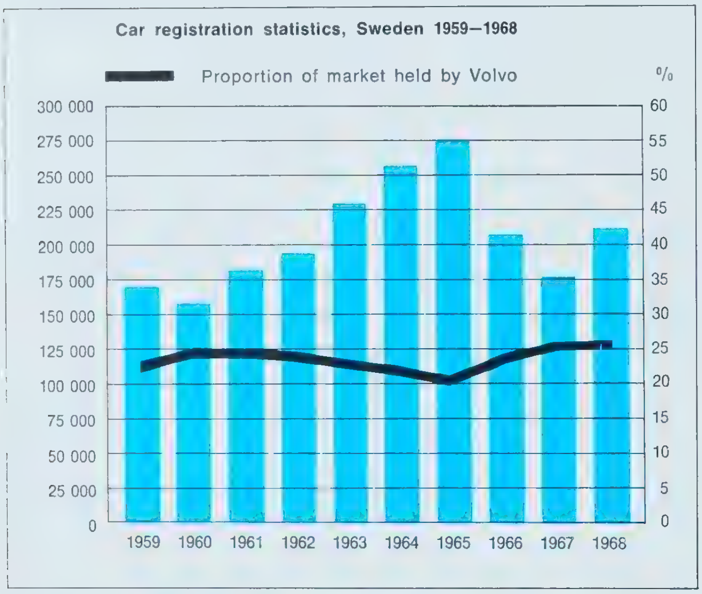
The distribution of motor vehicles and spare parts between the various market areas was as follows:

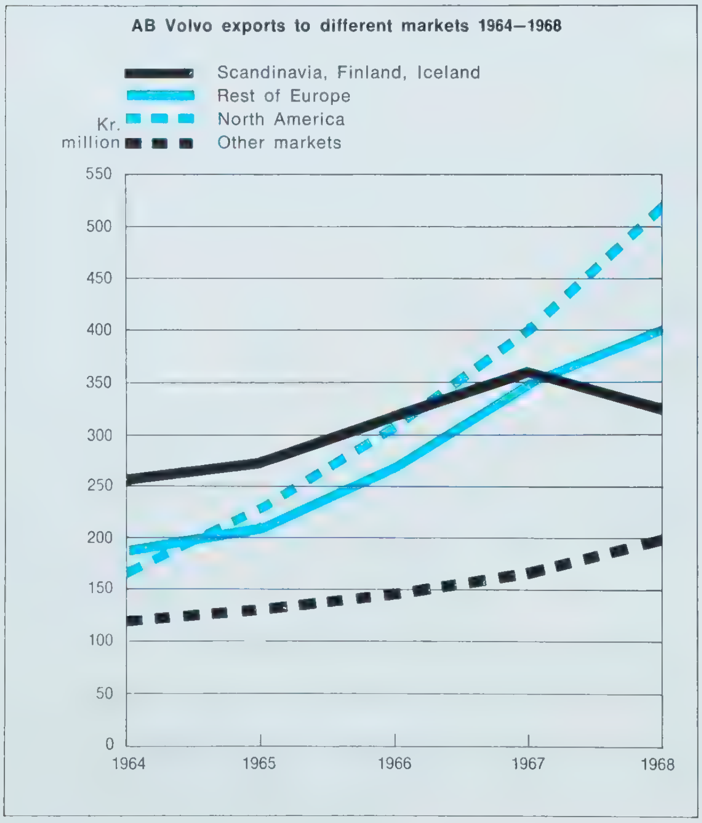
	1968 kr. million		1967 kr. million		+ — %
Scandinavia, Finland and Iceland		303		347	—12.7
Europe, excluding countries above		378		332	+14.0
North America		504		395	+27.6
Other markets					
Latin America	23		31		
Asia	81		66		
Africa	69		50		
Australia	10	182	4	151	+20.2
Total		1,366		1,225	+11.6

The same sales were distributed between the EFTA and EEC regions in the following way:

	1968 Number	1968 kr. million	1967 Number	1967 kr. million
EFTA	39,869	507	41,503	511
EEC	19,351	138	16.415	137

Radical technical modifications increased interest in Volvo 121/122 S cars.





Cars

During the Autumn further new features in the new car programme introduced in the Autumn of 1966 with the 144 model were presented both in Sweden and abroad. All earlier car models in production were fitted with a larger and more powerful two-litre engine with designation B 20. At the same time a new and larger model car — the Volvo 164 — was introduced with a new, six-cylinder engine — designation B 30 — in the three-litre class.

Several important improvements were introduced at the same time, of which exhaust emission control as standard on car models for all markets is worthy of special mention.

The new programme resulted in a marked increase in the demand for the 140 series but also increased interest in Volvo 121/122 S models for which the new improvements provide valuable modernization. The Volvo 164, of which only a few thousand units were produced during the year, attracted lively interest both in Sweden and abroad.

Volvo invoiced 54,209 units on the *Swedish* market which implies an increase of 25.7 % compared with the previous year. The proportion of the market held by Volvo was 25.9 % (25.6 %). The closest competitor had 14.4 % of the market.

The Volvo 142/144 retained its leading position in model statistics by a wide margin and the Volvo 121/122 S maintained a good position in fourth place.

The number of Volvo cars with valid PV Guarantee remained unchanged at 263,000 on December 31, 1968.

Sales to *Finland, Norway and Denmark* amounted to 19,863 units compared with 24,035 units in 1967. This decrease depended on a smaller total market in Finland and Denmark. Volvo maintained its position as the most sold make of car in Scandinavia, Finland and Iceland together.

In the *other EFTA countries,* the total market increased throughout and Volvo sales in this area exceeded the 1967 figures by 20 %.

The *EEC markets* are being supplied as earlier mainly from the Volvo car assembly plant in Belgium through the Volvo sales company in the same country. Volvo car exports to the EEC area amounted to 17,922 vehicles (15,036 in 1967), i.e. an increase of 20 %.

Sales to the *USA* increased in 1968 to 38,857 units (31,421 in 1967), an increase of 24 %.

Sales to *Canada* increased by 35 % to 7,512 units (5,545 in 1967).

The number of cars sold to *Latin America, Africa, Asia* and *Australia* was 9,665, about 30 % more than in 1967.

The licence agreement concerning the production of cars in Turkey which was concluded in the middle of 1968 has now a new aspect due to unforeseen complications and there is as yet no definite solution.

Trucks

Development work during the year resulted in improvements and variants of existing truck types with particular attention paid to the rapid structural changes going on within the transportation field which result in demands for efficient, specially adapted transportation units.

After the marked deterioration in sales during the two past years, there was a notable change for the better during the second half of 1968 both in Sweden and on the export markets.

Registrations of new vehicles in *Sweden* during the year remained unchanged concerning both total figures and Volvo's proportion but sales contracts concluded by dealers which result in registrations some months later showed a definite improvement. The proportion of the market held by Volvo in the size classes covered by the Company programme, i.e. Diesel trucks with a payload of more than four tons, was 51 % (48 % in 1967).

Sales in *Norway, Denmark and Finland* showed a slight decrease, approximately 10 %, most of this decrease being in Finland.

In *Great Britain,* the introduction of our heavy trucks proceeded according to plan and sales of Diesel trucks attained 400 units.

Volvo increased its sales in *Switzerland* and *Australia.*

Sales in the *EEC area* increased by 25 %.

In Belgium Volvo was the leading make of heavy truck and Volvo sales also made significant advances in Holland. On the French market, Volvo advanced to sixth place among imported makes after very positive sales development. Sales in West Germany were insignificant.

In *Eastern Europe,* sales during 1968 also amounted to several hundred heavy Volvo trucks.

The number of trucks sold on *markets outside Europe* was 2,449 — 20% more than in 1967.

142/144 — topped Swedish model statistics for 1968.

The Station Wagon is earning increased popularity on the world markets.

The Volvo FB 88 — designed for train weights of up to 70 tons — is the largest of the thirteen different basic models produced by the Company.

The 700th Volvo bus delivered to the Danish State Railways is operating on the island of Bornholm.

Buses

Increased resources have been placed at the disposal of AB Volvo, Bus Division for technical development.

AB Volvo, Bus Division was able to maintain its sales volume which amounted to 872 units through increased exports in spite of the fact that there was a marked decrease of the total Swedish market. More than 80 % of the buses manufactured were exported.

Registrations in Sweden of Diesel buses for more than 25 passengers amounted to only 348 units compared with 2,072 in 1967. The share of the market held by Volvo was 29 % (22 %).

Organization

Information was published in December concerning the radical re-organization of administration within the Automotive Products Divisions of Volvo which was the result of preparatory work which extended over more than one year. The new organization, which is to be carried out gradually with effect from the new year of 1969, includes sub-division into three types of organizational units: *Central units, production units* and product or marketing units known as *result units.* Responsibility for current activities is to be delegated to these units. The internal committees of the production and result units include members of Volvo Management.

The new organization will, to a considerable extent, give the Management of Volvo more opportunity to carry out long-term planning of the Group activities and it also implies an increased investment in research and technical development with respect to the demands that will be made on the Group during the 1970's.

Buildings and Plant

Expansion work completed during the year and new plants taken into use included the following important units:

At Torslanda:

— Expansion of the pressing plant by the addition of two new bays and a stores building,
— An industrial hall close to the Head Office for exhibition of Company products, etc.,
— Expansion of the central boiler house including the installation of special filter units which practically eliminate air contamination through solid particles and reduce the emission of sulphur dioxide to the lowest level possible with the technology of today,
— A car repair workshop for Company cars and cars owned by personnel, etc.; this workshop also functions at the same time as a demonstration object in the training of personnel from Swedish and foreign dealers and subsidiaries.

At Skövde:

— Modification of the engine factory for manufacture of B 20 engines,
— A new factory for the manufacture of B 30 engines with a capacity of 40,000 engines per year, a capacity that can be increased after further extension. The cost of the new factory amounted to kr. 57 million. With the addition of the B 30 factory, production capacity at Skövdeverken has been increased to 250,000 petrol (gasoline) and Diesel engines annually.

At Arvika:

— The second stage in the expansion of the forge.

In 1969 the subsidiary company Volvo City is to start work on the erection of a shopping centre in the Volvo Torslanda area. Facilities there are to include a department store, post-office, two banks, and a dental surgery. All the premises are to be hired out to independent companies for current market rent.

Skövdeverken 100 years old

On September 14, 1968 Volvo Skövdeverken celebrated the 100th anniversary of its establishment in 1868. In connection with this anniversary, the Board of Volvo announced its decision to carry out extension and technical modernization of the foundry. The cost of this extension is expected to be kr. 54 million.

The capacity of the foundry is to be increased to 60,000 tons of castings per year. When extension work is complete, the foundry will be one of the largest and most modern in Europe.

Volvo Skövdeverken had its origin in Sköfde Gjuteri och Mekaniska Verkstad, founded by John G. Grönvall in Skövde in 1868. In 1907 Fritz Egnell and his colleague Edvard Hubendick built the very first Penta engine. The company then changed its name to AB Pentaverken and developed into a specialized engine manufacturing company.

In 1925 Assar Gabrielsson came to Skövde and outlined the plans he and Gustaf Larson had made up for a Swedish motor vehicle industry. Assar Gabrielsson offered Pentaverken the opportunity to manufacture the engines.

The co-operation with Volvo resulted in extensive series production. In 1931 Volvo took over the majority of the shares in the company. In 1934 the company was entirely absorbed by Volvo. At the same time a new company was established in Gothenburg — AB Pentaverken, later to be known as AB Volvo Penta — to take care of the design and sales of the marine and industrial engines manufactured in Skövde.

The sales of Volvo motor vehicles started to increase noticeably in the middle of the 1930's. The increased volume of manufacture required extensive modernization and extension work.

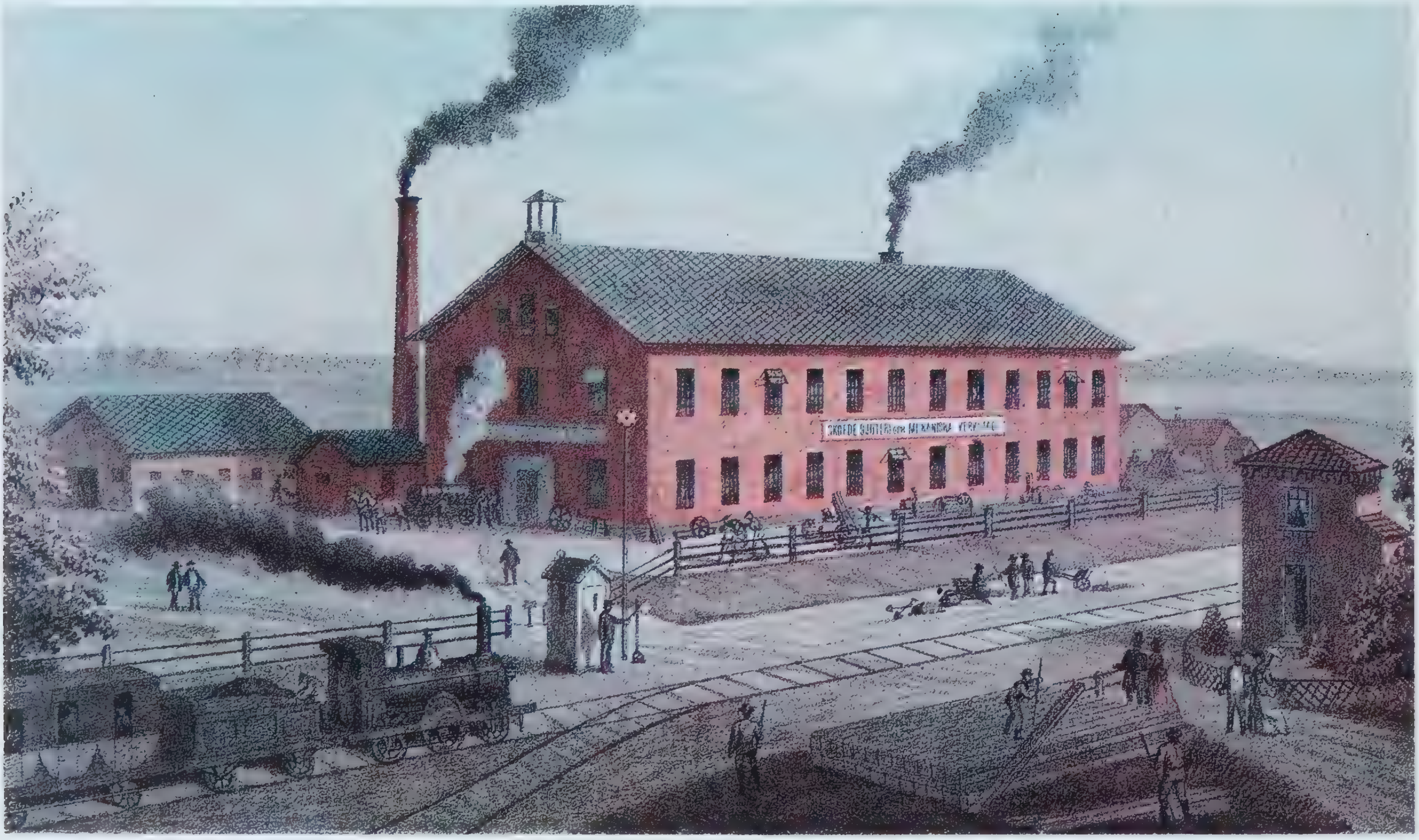
The end of World War II marked the start of an epoch characterized by extensive expansion which kept pace with the dynamic development of Volvo.

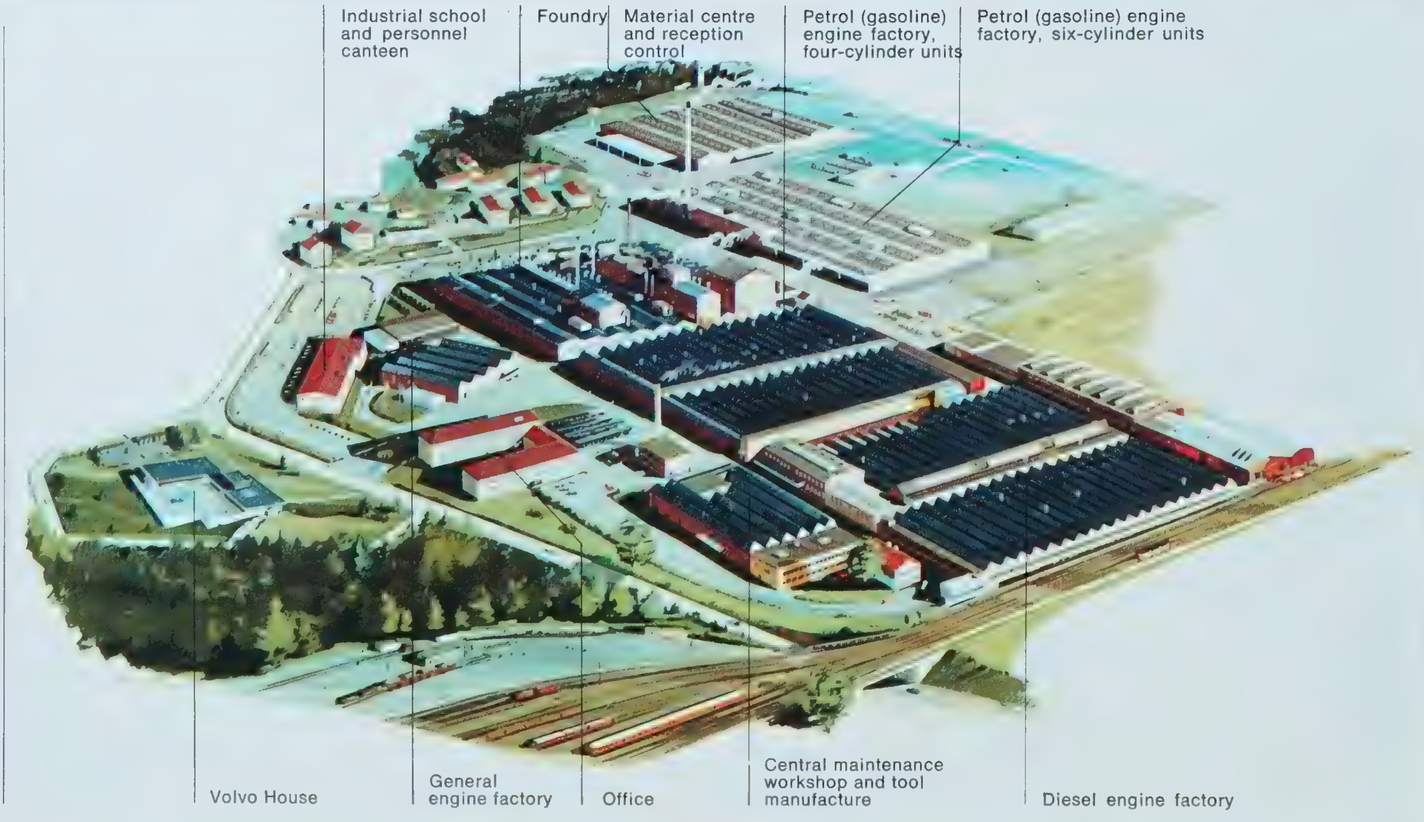
It was at this stage that Volvo Skövdeverken introduced the MTM system as an aid to rationalization — this constituted pioneer work in its field within Swedish industry.

The rapid expansion during the 1950's required significant extension of productive capacity. With large investments in machines, radical production technique work and careful planning supplemented with systematic personnel administra-

Sköfde Gjuteri och Mekaniska Verkstad about 1850.

Volvo Skövdeverken — one of the most modern engine factories in Europe.



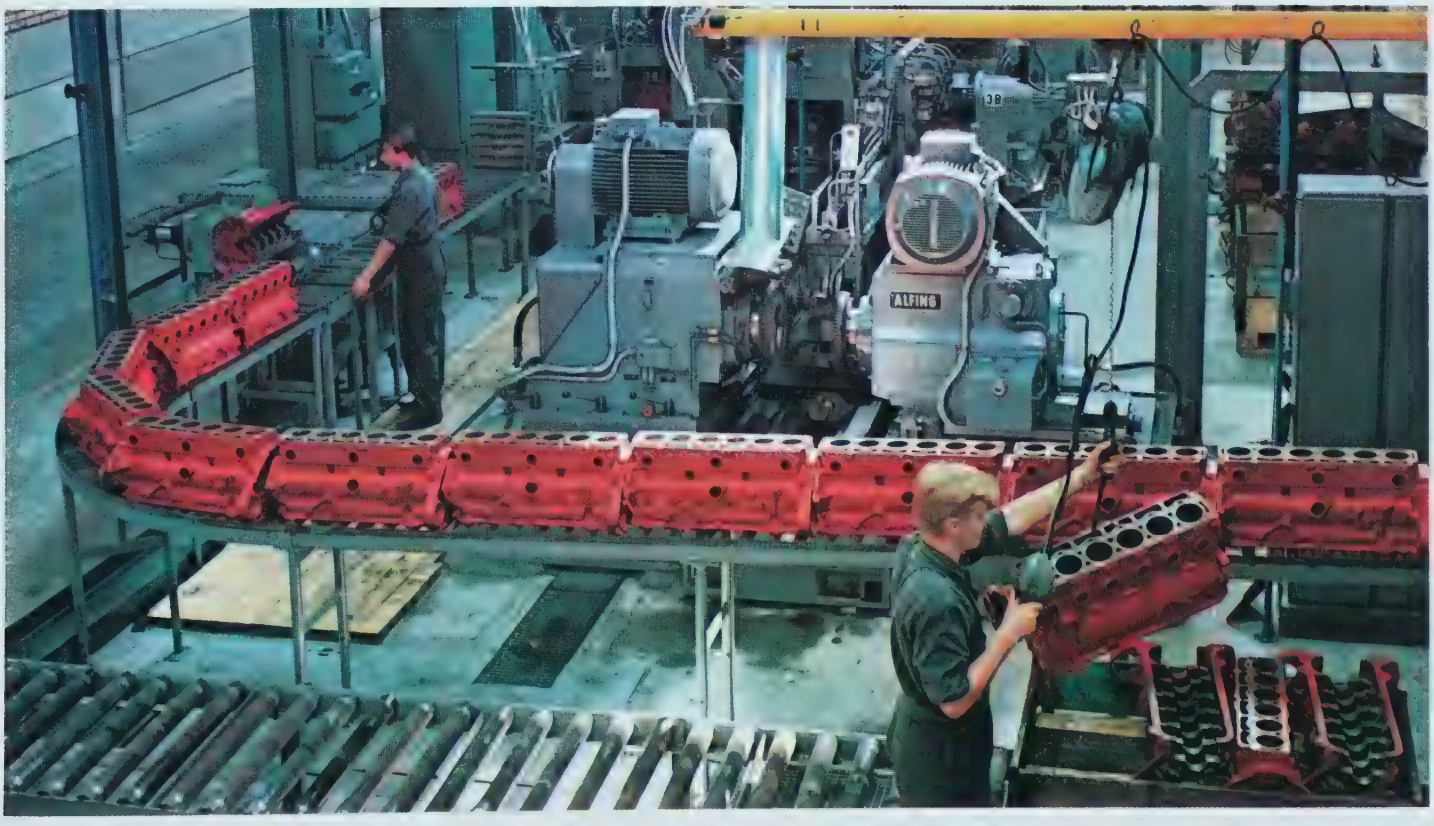


tion work, the company developed into one of the most modern engine factories in Europe.

In the autumn of 1965 Skövdeverken inaugurated a new engine factory intended for the new series of Volvo Diesel engines.

With the new engine factory taken into use by Volvo Skövdeverken in connection with the introduction of the six-cylinder B 30 engine for the Volvo 164 car during the jubilee year of 1968, the production capacity of the company has increased to 250,000 petrol (gasoline) and Diesel engines per year.

The B 30 factory, floor area 14,500 square metres (156,000 sq.ft.).



Personnel

Wages, salaries and other emoluments during the year amounted to kr. 373.8 million, of which kr. 6.5 million went to the Board, Management and Senior Executives, kr. 149.4 million to salaried employees and kr. 217.9 million to wage earners.

The average number of employees consisted of the following:

	1968	1967
Salaried employees	4,472	4,380
Wage earners	10,027	9,435
Total	14,499	13,815

The cost of social benefits prescribed by law or through collective agreements such as pensions, holidays with pay, etc. amounted during 1968 to the considerable sums specified below:

	kr. million
Annual and public holidays (included in amounts shown above)	41.4
Pension costs	35.7
Insurance contributions	11.4
Total	88.5
	(1967 = 81.1)

In addition to these obligatory commitments, costs were also borne by the Company for training and education, health control, etc.

In December the Board decided to make a grant of kr. 5 million to a newly established Personnel Foundation, the objective of which is to establish and operate various systems for the physical and psychological well-being of the personnel. This grant is to be distributed between the various place in Sweden where Volvo carries out manufacture.

Capital requirements and proposed distribution of income

The balance of unappropriated earnings from earlier years and the net profit for the year available for disposition by the General Meeting amount to a total of kr. 194.5 million.

The present extent of activities and the planned continued expansion of the Company during the 1970's motivate, in the opinion of the Board, an increase in the share capital of the Company. With respect to the repercussions of anticipated new legislation concerning share certificates, etc., the Board considers, however, that no scrip issue of shares should be carried out for the time being. This means that no proposal concerning a share issue is to be put before the General Meeting this year, but, on the other hand, a proposal is to be made concerning

Volvo Torslanda area.

the allocation of kr. 114 million from the income available for disposition to a reserve for a scrip share issue in the future.

On the basis of the extremely good results for 1968, the Board proposes an ordinary dividend of 7 % (7 %) and, over and above this, a bonus amounting to 4 % (2 %). This corresponds to a total dividend of kr. 5: 50 (kr. 4: 50) per share and a total dividend sum of kr. 37.6 million (kr. 30.8 million).

It is the opinion of the Board in principle that it should be possible to vary the dividend of the Company upwards or downwards depending on the trading results.

Proposed distribution of income

After an allocation to the supplementary legal reserve of kr. 11,800,000: — and dividend to shareholders amounting to kr. 30,780,000: —, which have been approved by the 1968 General Meeting, the following remained:

	kr. 1,000
A balance of unappropriated earnings	77,794
Net income for the year	116,674
Available at disposition of the General Meeting .	194,468

The Board and Managing Director propose that the above amount be distributed as follows

	kr. 1,000
To the supplementary legal reserve	18,000
To the shareholders an ordinary dividend of kr. 3: 50 and a bonus of kr. 2: — making up a total of kr. 5: 50 per share on Coupon No. 34	37,620
To a reserve for a future scrip issue of shares .	114,000
To the unappropriated earnings account . . .	24,848
Total	194,468

The enclosed Balance Sheet shows the position on condition that the General Meeting approves the recommendations of the Board and Managing Director concerning the distribution of income in the form of the allocation to the supplementary legal reserve and the dividend.

The results of the activities of the Company during 1968 and its position at the end of the year are shown in the enclosed Statement of Income, the Balance Sheet and the Comments on the Accounts.

Gothenburg, March 1969

H Hallström   Bengt Junker   F Hartmann   Ebbe Svensson   Ulf af Trolle

Per Carlsson   Tore Browaldh   G Engellau

Auditors' Report

In our capacity as duly appointed auditors of Aktiebolaget Volvo, we submit herewith the following Report in respect of 1968.

We have examined the Annual Report, and have had access to the Company Books, Minutes and other documents giving information concerning the finances and administration of the Company and have generally carried out such other auditing procedures as we considered necessary.

The detailed checking of the accounts has been carried out by specially appointed persons.

The provisions of Company Law concerning the accounting of shares and the relationship to subsidiaries have been complied with.

During our audit nothing has given rise to any criticism concerning the Annual Report, the Company accounting procedures, the inventory of its assets or otherwise in regard to the administration of the Company.

The proposal of the Board and Managing Director for the disposition of earnings does not conflict with the provisions of Company Law concerning transfers to legal reserves, or with good business practice.

We recommend:

that the Balance Sheet as at December 31, 1968, which is included in the Annual Report and signed by us, be approved;

that the Members of the Board and the Managing Director be discharged from liability for their administration during the period covered by the Annual Report; and

that the proposed disposition of earnings be approved.

Gothenburg, March 28, 1969

Lars Elvstad
Authorized Public Accountant

Gösta Jacobsson
Authorized Public Accountant

Statement of Income for 1968

(amounts in kr. million)

	1968		Change from previous year
Sales		2,507.6	+ 336.9
Cost of sales, selling and administrative expenses (of which depreciation according to plan 63.7) (notes 11 and 12)		2,172.6	+ 211.0
Operating income		335.0	+ 125.9
Miscellaneous income			
Dividends (note 13)	18.8		— 2.4
Interest (note 13)	51.9		+ 20.2
Sundry income	1.1	71.8	+ 1.1
		406.8	+ 144.8
Miscellaneous expenses			
Interest (note 14)	7.8		— 0.7
Sundry expenses	0.2	8.0	— 0.3
Income before allocations and taxes		398.8	+ 145.8
Allocations			
Allocation to general stock reserve (note 3)	9.7		+ 14.6
Extra depreciations re-transferred (note 11)	14.4		+ 8.6
Allocation to reserve for future investments	156.0		+ 56.0
Group contribution (note 15)	4.8		+ 2.3
Writing down of shares (note 4)	8.0	164.1	— 1.9
Income before taxation		234.7	+ 83.4
Taxes on income		118.0	+ 46.0
Net income for 1968		116.7	+ 37.4

Balance Sheet as at December 31, 1968

(amounts in kr. million)

Assets	1968		Change from previous year
Current assets			
Cash at banks and in hand (note 1)	68.9		— 110.2
Short-term loans and investments	641.0		+ 315.5
Accounts receivable from subsidiary companies (note 2)	112.2		+ 19.2
Sundry debtors (note 2)	240.8		+ 36.6
Stocks (note 3)	470.3	1,533.2	+ 47.1
Investment account with Sveriges Riksbank		35.8	+ 23.9
Fixed assets			
Loans to subsidiaries	13.9		— 7.3
Shares and stockholdings (note 4)	126.7		+ 25.0
Property, machinery and equipment (note 5)	571.6	712.2	+ 35.7
Total assets		2,281.2	+ 385.5

Liabilities and shareholders' equity			
Current liabilities			
Suppliers	265.1		+ 79.6
Advance payments from customers	44.7		— 7.5
Subsidiary companies	14.8		+ 2.8
Sundry short-term liabilities and provisions (note 6)	399.2	723.8	+ 57.4
Long-term liabilities			
Subsidiary companies	0.5		—
Promissory loans and mortgage loans	33.9		+ 6.7
Bond loans	40.9		— 7.3
Pensions liabilities (note 7)	72.7	148.0	+ 16.2
Special allocations			
General stock reserve (note 3)	277.0		+ 15.4
Stock investment account (note 3)	15.0		+ 15.0
Reserve for future investments (note 8)	250.8		+ 95.0
Accumulated extra depreciations (note 5)	278.3	821.1	+ 33.2
Shareholders' equity			
Share capital (note 9)	342.0		—
Legal reserve	68.4		—
Supplementary legal reserve	39.1		+ 18.0
Unappropriated earnings (see page 21)	138.8		+ 61.0
Total shareholders' equity		588.3	+ 79.0
Total liabilities and shareholders' equity		2,281.2	+ 385.5

Securities pledged (note 10)		74.4	+ 6.7
Contingent liabilities (note 10)		149.8	— 6.9

Comments on the Accounts

Compared with previous years, certain changes have been made in the layout of the statements of income and also the balance sheet in the annual accounts for the Parent Company and its subsidiaries, AB Bolinder-Munktell and Svenska Flygmotor AB. These changes are mostly of an editorial nature. Apart from a re-grouping of certain income and costs, the specifications of allocations in the statements of income have been extended to include allocations which — mentioned in the comments — have earlier been included at other points in the statements of income.

Consolidated Accounts

The Consolidated Statement of Income together with the introductory review of the Group's activities, pages 6—11, constitute an integral part of the Volvo Annual Report.

The Consolidated Statement of Income is based on accounts as per 31. 12. 1968 from all subsidiaries, this being taken to mean the companies in which Volvo owns more than 50 % of the shares.

Conversions of the values accounted for by the foreign subsidiaries were carried out at the rate of exchange prevailing at the end of the year with the exception of the property, machinery and equipment assets in the balance sheet. These were converted at a rate of exchange which did not exceed the average rate of exchange prevailing during the respective year of acquisition.

Consolidated Balance Sheet

1. Short-term loans and investments have mostly a maturity of less than one year.
2. Accounts receivable concern mostly customers and distributors. Some of these accounts extend over a longer time than one year but, if necessary, these accounts receivable can be discounted in the banks to a considerable extent.
3. Stocks were accounted to the lowest of the cost or replacement price respectively with deduction for obsolescence. The necessary reservations had been made by the respective Parent Company for internal profits in the stocks of Group products held by foreign subsidiaries.
4. After investments amounting to kr. 156 million made during 1968, the following values (in kr. million) applied to the value of Group buildings and plant at the end of the year:

	Original cost	Accumulated depreciation	Net book value
Property	697.1	146.3	550.7
Machinery and equipment	808.1	564.7	243.4
New construction projects in progress	40.6	0.0	40.6
Total	1,545.8	711.0	834.8

Fire insurance values at the end of the year were kr. 2,181.5 million, including kr. 710.7 million for plant and building and kr. 1,470.8 million for machinery, etc.

In the comments on the Parent Company Balance Sheet, note 5 includes more detailed information concerning the net values and depreciations accounted for.

5. Unappropriated Group earnings during 1968:

		kr. million
Remaining at beginning of year		118.6
Less: Writing-down of shares in subsidiaries	6.4	
Scrip issue of shares, etc.	6.2	12.6
		106.0
Net income for 1968		130.6
		236.5
Less: To legal reserves	21.7	
Dividend from Parent Company	37.6	59.3
Unappropriated earnings at end of year		177.2

Particular attention should be paid to the fact that a certain part of the consolidated income is subject to taxation upon being transferred to Sweden and that the possibilities of transferring income from abroad can also be limited by currency restrictions.

Consolidated Statement of Income

The manufacturing companies in the Group apply uniform standards for depreciations. For more information, see the comments on the Volvo Statement of Income. Foreign sales companies carry out depreciations by an amount which is approved as a deductible cost according to the tax legislation of the country concerned. Depreciations on current replacement values for cost accounting purposes in the manufacturing companies amounted during 1968 to kr. 133 million, while the corresponding value according to plan, calculated on the original cost, was kr. 89 million.

Total Group depreciations amounted to kr. 94 million. Writing down carried out through the reserves for future investments, which attained a total figure of kr. 283 million, of which kr. 53 million in 1968, decreased the scope of depreciations deductible from a taxation viewpoint to kr. 78 million, as a result of which kr. 16.0 million was restored to the trading result under the heading "Allocations".

After an allocation during the year of kr. 22.4 million, the general stock reserve amounted to kr. 500 million, corresponding to 53 % of the book value of the stocks after deductions for obsolescence.

The Volvo Group of Companies 1964–1968

(amounts in kr. million)

SUMMARY OF RESULTS

SUMMARY OF RESULTS	1964	1965	1966	1967	1968
Sales	2,483	2,793	3,045	3,410	3,865
Income before allocations and taxes	258	241	222	318	472
in % of sales	10.4	8.6	7.3	9.3	12.2
Allocations of income	98	76	84	120	175
Taxes	82	84	72	107	167
Minority interests in income	2	2	2	1	0
Net Income	77	80	65	90	131

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS	1964	1965	1966	1967	1968
Net income for the year	77	80	65	90	131
add charges not requiring cash outlay:					
depreciations etc.	66	79	102	95	87
allocation to general stock reserve	58	58	41	5	22
allocations to reserves for future investments	57	37	26	112	167
Cash provided from operations amounts to	258	254	234	302	407
Deduct dividends paid to shareholders	14	14	18	24	31
Internally generated funds total	244	240	216	278	376
Appropriated for increased stocks and accounts receivable	164	205	225	63	68
Increases in current liabilities have added	67	93	94	114	179
Additions in cash then amount to	147	128	85	329	487
Long-term debts have increased (decreased) by	(1)	(1)	29	29	18
A new issue of shares has provided the Group with	—	—	68	—	—
Providing funds for investment of	146	127	182	358	505
Investments have amounted to:					
in plant, buildings and machinery — partly in the form of acquisition of new subsidiaries	151	172	181	181	162
in shares	10	23	3	4	3
As increase (decrease) in blocked account with Sveriges Riksbank	1	4	9	(13)	22
Total investments	162	199	193	172	187
Cash and short-term loans have increased (decreased) by	(16)	(72)	(11)	186	318

The self-financing rate can be expressed as follows:

	1964	1965	1966	1967	1968
$\frac{\text{Internally generated funds}}{\text{total investments}} \times 100 =$	151 %	121 %	112 %	162 %	201 %

AB Volvo Accounts

Since Volvo took over Köpings Mek. Verkstad's manufacture of automotive components on January 1, 1968 together with assets and liabilities and further continued these activities under the name AB Volvo, Bergslagsverken and also since the AB Parator trailer business with assets and liabilities was taken over on July 1, 1968, the values stated for 1967 and 1968 are not fully comparable.

Balance Sheet

1. CASH AT BANKS AND IN HAND

Kr. 17.1 million on deposit account was blocked as security for advance payments received from customers.

2. ACCOUNTS RECEIVABLE

At December 31, 1968, accounts with trade debtors, subsidiary companies, etc. amounted to kr. 353.0 million in accordance with the following specification:

	kr. million 1968	1967
Trade debtors	198.0	176.2
Accounts with subsidiaries	113.0	93.8
Sundry debtors	68.6	48.3
	379.7	318.3
Reserve for doubtful debts	26.7	21.2
Net	353.0	297.2

The total value of accounts receivable — kr. 379.6 million — included about kr. 236 million concerning foreign subsidiaries and customers.

The reserve for doubtful debts was supplemented by kr. 9.5 million for debts which were considered to be doubtful at the end of the year. It was found possible, however, to reduce the reserve by kr. 4.0 million which corresponded to repaid debts previously written down.

3. STOCKS

The stocks specified below were evaluated in accordance with traditionally cautious principles. The gross amounts for the physical stocks were based on the lower of cost or replacement prices at the end of 1968. In accordance with previously applied procedure, adequate reserves were set aside for obsolescent goods.

	kr. million 1968	1967
Finished vehicles	95.0	100.7
Other sales products	108.3	114.7
Production material	294.8	234.4
Total	498.1	449.8
Less reserve for obsolescent goods	27.8	26.7
Net stock value as per Balance Sheet	470.3	423.2

At the end of 1968 the stock of both cars and commercial vehicles corresponded to that required with respect to the present volume of export.

The stock of production material increased by about kr. 60 million, of which kr. 13.1 million in the businesses acquired during the year — Bergslagsverken and Parator. An expanded manufacturing programme and wider preparations for a further increase in the manufacturing programme accounted for the remaining kr. 47.3 million.

The general stock reserve increased by kr. 15.4 million, of which kr. 9.7 million through a new allocation and kr. 5.7 million through the acquisition of part of KMVA. At the end of the year the reserve amounted to 60 % of the gross value of stock after deduction for obsolescence, this implying the highest permissible writing down in accordance with current tax legislation. An amount of kr. 15.0 million was transferred to the stock investment account from the reserve for future investments after special permission had been granted by the authorities concerned. This permit was granted with view to a planned build-up in the Company manufacturing units of a buffer stock of half-finished units for commercial vehicles.

4. SHARES

Volvo acquired at nominal value the minority share in Svenska Flygmotor AB held by AB Bofors. This means that Flygmotor is now a fully-owned Volvo subsidiary.

AB Volvator, founded in 1967, took over during the year the shares held by Volvo in Swedish dealer companies. In connection with these and other acquisitions, the share capital was increased to kr. 25.0 million through a new issue by Volvo. See also page 42.

During the year the share capital in AB Bolinder-Munktell was increased by kr. 15.0 million, of which kr. 10 million in the form of a new subscription by Volvo and kr. 5 million through a scrip issue.

In connection with the acquisition of the AB Parator trailer business during the year, the shares in AB Parator were disposed of at book value. Through the acquisition of the trailer business, Volvo obtained the right to transfer to Rydhs Fabriksaktiebolag — which was acquired simultaneously — the name of AB Parator, this company running the trailer business on commission for Volvo's account.

During the year new subsidiaries were established, Volvo Sudamericana in Argentina, and Volvo Far East in Malaysia.

A new subscription by Volvo increased the share capital during the year in the Swiss financing company Volvo S. A., Geneva by Sfrs 750,000. In addition to this Volvo aquired the remaining share capital (1,500,000 DM) in the German subsidiary.

In a couple of the subsidiaries, the share capital was increased during the year by bonus issues without any change in the book value of the shares held by Volvo.

Subsidiary Companies		Nominal value in 1,000	Book amount kr. 1,000
Manufacturing Companies:			
AB Bolinder-Munktell, Eskilstuna . .	Sw.kr.	65,000	41,000
SMT Machine Company AB, Köping	Sw.kr.	3,000	3,000
Svenska Flygmotor AB, Trollhättan .	Sw.kr.	36,000	18,813
Volvo Europa N.V., Ghent	Bfrs	100,000	7,802
Volvo (Canada) Ltd., Toronto . . .	Can.$	200	960
Volvo del Peru S.A., Lima	S/.	7,200	—
Sales Companies:			
Canvol AB, Gothenburg	Sw.kr.	5	5
Norsk Volvo A/S, Oslo	Nkr	1,000	720
Volvo Bil A/S, Copenhagen . . .	Dkr	5,000	3,745
Oy Volvo-Auto Ab, Helsinki . . .	FM	2,500	649
Volvo GmbH, Dietzenbach	DM	5,000	6,445
Automobiles Volvo S.A., Lyss . . .	Sfrs	5,000	6,995
Volvo Continental S.A., Ghent . .	Bfrs	2,000	207
Volvo Inc., Rockleigh, N.J.	US$	800	3,774
Volvo Distribuidora S.A., Lima . .	S/.	14,000	—
Volvo Sudamericana S.A.C.I., Buenos Aires	Pesos	5,000	—
Volvo Far East S.D.N. B.H.D., Kuala Lumpur	Mal. $	50	—
Other Subsidiary Companies:			
Försäkrings-AB Volvia, Gothenburg .	Sw.kr.	1,500	1,500
AB Volvator, Gothenburg	Sw.kr.	25,000	25,000
Volvonia S.A., Geneva	Sfrs	1,000	1,196
Fastighets AB Volvo-City, Gothenburg	Sw. kr.	500	500
AB Vulcanverken, Gothenburg . .	Sw.kr.	200	200
Volvest AB, Stockholm	Sw.kr.	50	50
AB Parator, Huskvarna	Sw.kr.	100	100
Miscellaneous inactive companies . .	Sw.kr.	30	30
Subsidiary Companies			121,691
Non-affiliated Companies:			
AB Volvofinans, Gothenburg . . .	Sw.kr	1,500	1,500
AB Volvokonsult, Gothenburg . . .	Sw.kr.	200	200
AB Bahco, Stockholm	Sw.kr.	12,468	12,468
Fides A/S, Oslo	Nkr	500	360
Zamyad Co. Ltd., Teheran	Rials	30,000	—
Swedish Motor Assemblies S.D.N. B.H.D., Selangor	Mal. $	875	—
Adela Investment Co. S.A., Luxemburg	US$	100	514
Miscellaneous			—
Total			136,732
Less general reserve			10,000
Net book value			126,732

During 1968 the book value of shares was written down by kr. 10.0 million by taking into use a general reserve for shares established earlier. Writing down concerned partly all shareholdings in companies outside Europe and North America and partly values exceeding the nominal value in the case of a couple of share blocks. At the same time an allocation of kr. 8.0 million was made to the general reserve which then amounted to kr. 10.0 million. The allocation is shown in the Statement of Income under the heading "Allocations".

Försvarets Fabriksverk (The National Swedish Defence Factories) acquired all the shares in Köpings Mekaniska Verkstads AB with effect from January 1, 1969. The purchase sum amounted to kr. 14.6 million. The profit from this sale, kr. 11.6 million, is to be included in the accounts for 1969. The name of the company was changed to SMT Machine Company AB.

5. BUILDINGS AND PLANT

At the end of the financial year the position was as follows (in kr. million):

	Original cost	Net value from Balance Sheet	Ratable value	Fire Insurance value
Lands and arrangements on land	71.2	69.1	26.1	—
Buildings and service installations	386.3	315.0	301.6*	406.6
Machinery and equipment	543.7	165.0	—	999.9
New construction projects in progress . .	22.4	22.4	—	10.1
Total	1,023.6	571.6	327.7	1,416.6

*) Includes a special machinery valuation of kr. 60.2 million. Buildings with a value of kr. 60 million had not been assessed for rating at the end of the year.

During 1968 investments in buildings and plant amounted to a total of kr. 93.1 million. Of this figure kr. 4.7 million was invested in factory sites and services, kr. 31.4 in buildings and facilities and kr. 57.1 million in machinery, etc.

The value of buildings, machinery and equipment in the Balance Sheet consists of a net value where the original cost has been decreased by depreciations in accordance with a normal plan applied by the Company. These deductions for depreciation also include depreciation of plant which has been fully or partly written down in connection with the utilization of the reserves for future investments.

Swedish tax legislation permits full writing down of machinery and equipment during a five-year period but writing down of buildings as a rule by only 1—3 %. The reserves for future investments provide extra consolidation. Allocations to investment reserves of this type can be made in accordance with special rules which imply tax exemption for allocations, but also the payment into an account at Sveriges Riksbank of an amount corresponding to 46 % of the allocation. After special permission has been granted by the government authorities, the reserve for future investments can be utilized for the direct writing down of both plant, buildings, machinery and equipment.

If permission is granted to utilize a reserve for future investments for direct writing down, then a corresponding proportion of the bank assets can be withdrawn. A direct writing down of this type extends the extra consolidation implied by the earlier allocations, but only during a transition period since there is a reduction in the deductible depreciations from a taxation viewpoint during future years. The Balance Sheet shows this extra consolidation under the heading "Special allocations", the consolidation being calculated as making up the difference between the accumulated depreciations according to the normal plan used in the Group and the depreciations actually carried out.

See under note 11 concerning the principles applied for depreciation and the accounting of depreciation.

6. SUNDRY SHORT-TERM LIABILITIES AND PROVISIONS

The following entries are included under this heading:

	kr. million 1968	1967
Taxation	80.8	36.5
Proposed dividend	37.6	30.8
Sundry liabilities	142.2	148.0
PV Guarantee	91.8	88.6
Sundry provisions	46.8	37.9
Total	399.2	341.8

The heading "Sundry liabilities" consisted of commitments such as accrued wages and salaries, pay-as-you-earn tax deduction and accrued purchase tax for motor vehicles.

Approximately kr. 50 million of the PV Guarantee allocation can be considered as being a long-term liability. The sundry provisions include reserves set aside for factory guarantees as well as for internal profits on the stocks of Volvo products at the Company foreign subsidiaries.

7. PENSIONS LIABILITIES (ALLOCATIONS TO PENSIONS)

After changes in legislation, earlier Foundations were dissolved during 1968. The pensions liabilities accounted for concern unchanged beneficiaries and correspond to the present value of pensions liabilities in accordance with technical calculations. The total liability at the end of the year included kr. 48.8 million pensions commitments in accordance with agreements within the framework of the PRI-system (Swedish Pensions Registration Institute).

8. RESERVE FOR FUTURE INVESTMENTS

The reserve for future investments was utilized during the year to the extent of kr. 61 million, which included kr. 46 million for the direct writing down of buildings, plant and machinery as well as kr. 15 million for transfer to the stock investment account. An amount of kr. 156 million of the trading surplus during the year was allocated to the reserve.

In February 1969 Volvo was granted permission to utilize the reserve for future investments in order to carry out investments during the period 1. 3. 69—28. 1. 74 within a framework of kr. 421 million. This permit together with the residue of the older permit will allow direct writing down to a total value of approximately kr. 330 million, on condition that a further kr. 190 million is allocated to the Company reserve for future investments during the next few years.

9. SHARE CAPITAL AND SHAREHOLDERS

	Number of shareholders	In % of all shareholders	Owning shares to a total number of	In % of share capital	Average holdings per shareholder
Owning a max. of 100 shares	45,731	78.5	1,338,768	19.6	29.2
Owning 101 to 500 shares	9,521	16.3	2,051,129	30.0	215.4
Owning 501 to 1,000 shares	1,217	2.1	851,153	12.4	699.3
Owning 1,001 to 10,000 shares	697	1.2	1,452,502	21.2	2,083.9
Owning more than 10,000 shares	22	0.0	1,059,637	15.5	48,165.3
Unpresented coupons	approx. 1,100	approx. 1.9	86,811	1.3	approx. 79.0
Total	approx. 58,290	100.0	6,840,000	100.0	approx. 117.0

10. SECURITIES PLEDGED AND CONTINGENT LIABILITIES

Securities pledged:

	kr. million
Real estate mortgages (of which kr. 1.2 million in subsidiary companies)	44.8
Chattel mortgages	3.0
Sundry securities pledged	26.6
Total	74.4
	(1967 = 67.7)

Contingent liabilities:

	kr. million
Discounted bills of exchange	0.5
Repurchase guarantees	18.8
Sundry contingent liabilities	130.6
Total	149.8
	(1967 = 156.7)

Statement of Income

11. Depreciations during 1968 and the accumulated depreciations at the end of the year are shown in the following table (in kr. million):

	Deprecia-tions 1968	Accumulated depreciations According to normal plan	Extra	Total	Of which via reserve for future investments
Land and arrangements on land	—	2.1	37.4	39.5	37.9
Buildings and service installations	5.7	71.3	167.3	238.5	184.6
Machinery and equipment	43.7	378.7	73.3	452.0	38.0
New construction projects in progress	—	—	0.2	0.2	0.2
Total	49.4	452.0	278.3	730.3	260.7

Direct writing down 1968 . . . . 46.0

Depreciation according to the normal provisions of the company amounted in 1968 to kr. 63.7 million while depreciation deductible for tax was limited to the kr. 49.4 million shown in the above table, as a result of which kr. 14.4 million was retransferred to the income. The large depreciations against the reserve for future investments during recent years have reduced the scope for deductible depreciations.

According to accounting practice, Volvo determines its calculated depreciation for cost purposes on the basis of estimated current replacement values and also estimated economic lifetime. Since Swedish tax legislation, however, only approves historical cost, the calculated depreciation figures in the official Volvo accounts are replaced by depreciation based on historical cost. The same rates of depreciation apply to the "book" depreciation for financial statement purposes as for the calculated depreciation. Buildings and plant are thus written down in general by 3 %, while most of the machinery and equipment is written down by 10—15 %. The continuous fall in the purchasing power of money has, however, meant that the current replacement value of the Company fixed assets is considerably higher than the historically recorded cost. During 1968 the calculated depreciation amounted to kr. 98.5 million while the "book" depreciation was kr. 63.7 million.

12. The Company sales and administration costs included general administrative expenses amounting to kr. 7.6 million calculated in accordance with previous practice.

13. DIVIDENDS AND INTEREST RECEIVED

Dividends:

kr. million	1968	1967
Group Companies	17.9	19.8
Others	0.9	1.4
Total	18.8	21.2

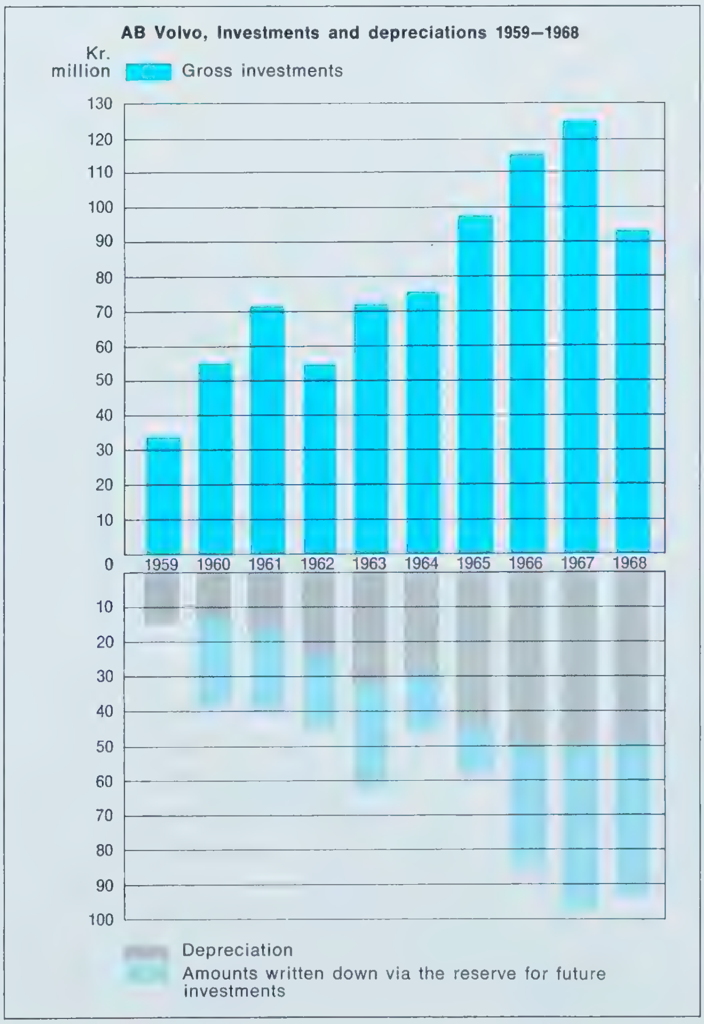
Interest received:

kr. million	1968	1967
Group Companies	6.3	4.7
Others	45.6	27.0
Total	51.9	31.7

14. INTEREST COSTS

	1968	1967
Group Companies	0.8	0.2
Others	7.0	8.3
Total	7.8	8.5

15. The Group contribution noted among the allocations concerns AB Volvator. The Group contribution was disposed by Volvator for increased consolidation. Volvator was also provided with a shareholder supplement, a sum which corresponded to the Volvo sales profit on shares transferred to Volvator during the year. Other allocations have been commented on earlier.



Volvo Penta

Volvo Penta

Volvo sales of marine and industrial engines are carried out through AB Volvo Penta and the turnover and trading results of this company are included in the accounts of AB Volvo.

Sales

The improved level of business activity which started towards the end of 1967 continued during 1968. There was an increase in the demand for the products of the company and orders in hand at the end of the year were greater than at the corresponding time during the previous year. The new factory plant completed during 1967 with increased productive capacity was vital in order to satisfy the increase in demand.

Volvo Penta sales during 1968 amounted to kr. 130.1 million, an increase of kr. 23.5 million compared with 1967. Sales on the different markets were as follows:

	1968 kr. million	1967 kr. million	+ — %
Sweden	35.1	30.1	+16.6
Norway, Denmark, Finland and Iceland	24.5	19.9	+23.1
Europe, excl. countries above	25.0	21.2	+17.9
USA and other markets	45.5	35.4	+28.5
Total	130.1	106.6	+22.0

The increase in sales on the Swedish market was primarily concerned with marine engines.

A delivery agreement was concluded during the year with the Swedish Army concerning new infantry armoured vehicles, for which Volvo Penta is to deliver the power units.

The total value of exports grew from kr. 76.5 million to kr. 95.0 million, an increase of 24.2 %. Export sales amounted to 72.9 % of total deliveries.

Distribution of sales between the EEC and the EFTA areas were as follows:

	1968 kr. million	1967 kr. million	+ — %
EEC	13.2	10.0	+32.0
EFTA	31.4	24.2	+29.7

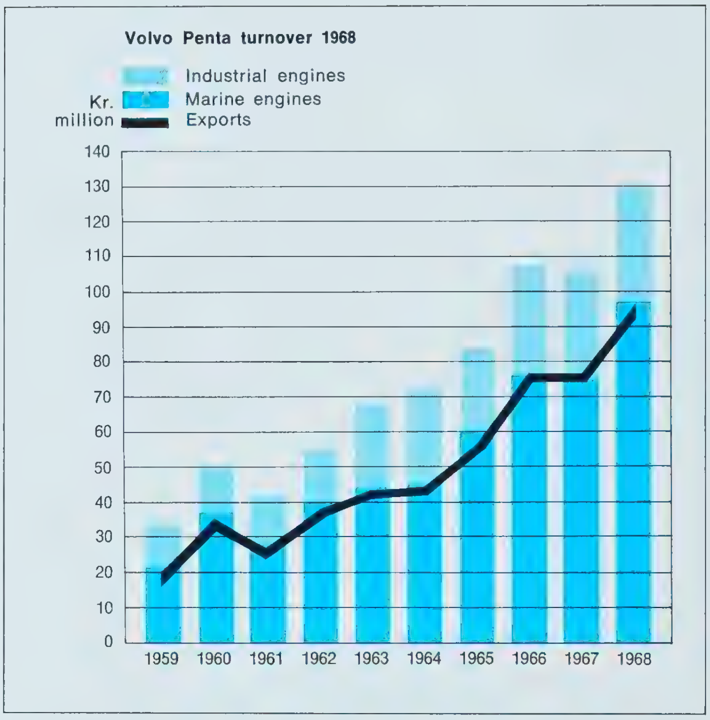
Sales to the neighbouring Scandinavian countries developed favourably primarily due to the expansion in the production of boats in Norway and Denmark.

On the European Continent, deliveries to all the EEC countries increased. Sales to Great Britain and Austria increased, while sales to Portugal, Spain and Greece decreased.

During the year the company was able to increase its proportion of the inboard-outboard market in the USA and sales value attained kr. 17.6 million.

The was a satisfactory development in sales on the Latin American market. Brazil and Argentina were responsible for the greatest increases.

A production unit for the manufacture of single-cylinder and two-cylinder Diesel engines was started in Mexico City during the year.



Volvo Penta assembly line for Aquamatic marine power units.

Product development

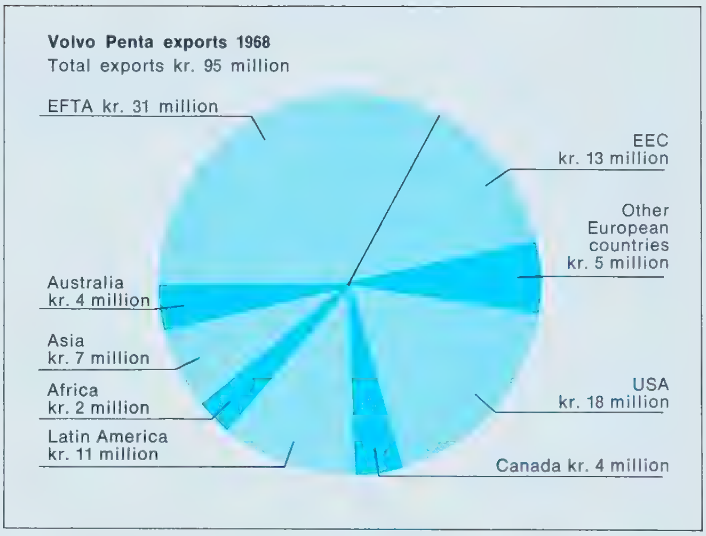
On the basis of Volvo B 20 and B 30 engines, a series of six new marine engines was developed during the year for both the Aquamatic and also conventional inboard installation. These engines are designed to satisfy the severe demands made on marine engines, for example a long life under conditions of heavy loading and also good resistance to corrosion.

At the same time as the new engines were introduced, a new Aquamatic outboard drive has come into production. Because of the higher outputs of the new engines, the new outboard drive has been reinforced and modernized throughout.

Buildings and plant

During the year a new marine test station was taken into use in the archipelago outside Gothenburg. This plant consists of a protected harbour as well as workshop and personnel accommodation.

This permanent base makes possible even more effective development testing on marine engines.



Chris-craft, one of the largest manufacturers of small boats in the world, installs Volvo Penta engines in its boats, a factor which has made a primary contribution to the marked increase of Volvo Penta sales in the USA.

A Volvo Penta irrigation plant in Peru.

The presentation of the new combine harvester S 830 means that the Bolinder-Munktell combine programme is now complete with a total of four different models, all introduced during the last three years.

The BM-Volvo DR 860 dumper, delivery of which started during 1968, attained very good sales figures right from the start.

AB Bolinder-Munktell

Board: Gunnar Engelleau (Chairman), Hilding Melin, Franz Hartmann, Svante Simonsson, Stig Janson, Rune Hellerquist, John Engellau (Managing Director)

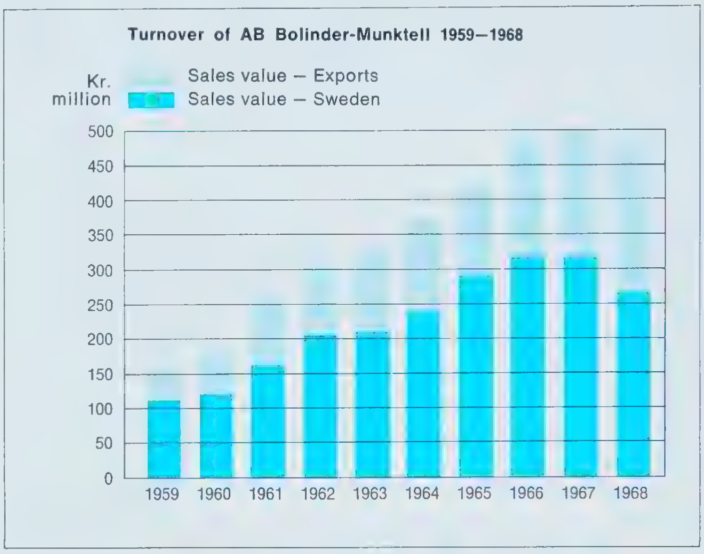
Management Report

Activities during 1968 were characterized by stagnation concerning demand and increased competition from the price viewpoint concerning domestic sales of Company products. A marked increase in exports, however, meant that the level attained by total external deliveries, i.e. outside the Volvo Group, was kr. 483 million or the same level as the previous year. The total turnover of the Company decreased during the year by 2 % and attained kr. 488 million.

The activities of the Company showed a more favourable cost development than during the previous year. Advantageous contributory factors in this connection were favourable price development for purchased material, continued rationalization in both production and administration and also a considerable reduction in personnel turnover.

In spite of more favourable cost development, the trading results of the Company deteriorated before allocations and taxes to attain kr. 23 million. There was a lower utilization of the productive capacity of the Company than during the previous year and the inability to maintain full utilization of the productive capacity contributed to the deterioration in the trading results.

Liquidity improved, primarily due to a reduction in stocks but also by a new issue of share capital amounting to kr. 10 million.



Sales in Sweden

Sales on the Swedish market excluding deliveries to AB Volvo decreased by 15 % compared with the previous year and amounted to kr. 258 million. Deliveries to the Group during 1968 consisted mainly of engines and bodies for cross-country vehicles, the value decreasing from kr. 16 million to kr. 5 million. The delivery of tracked vehicles to the Swedish Army was concluded during 1968 and this meant that the value of deliveries carried out in Sweden decreased by kr. 12 million. Deliveries of forestry machines and loading machines were influenced in a negative direction by the deterioration in the marketing position of the forestry industry and also restricted investments in machines. These two groups of products were responsible for a decrease of kr. 25 million.

The number of tractors registered amounted to 10,761, an increase of 1 % compared with 1967. The proportion of this market held by the Company decreased to 38 %, primarily depending on the temporary advantage from the competition viewpoint attained by British tractor makes through devaluation in England.

Through the large advance deliveries of combines for the harvest of 1968, these deliveries taking place as early as during the autumn of 1967, there was a decrease in the deliveries carried out from the Company during 1968 of machines in this group of products compared with the previous year.

Export Sales

Total export deliveries during 1968 increased by 23 % and attained kr. 225 million. The proportion of total Company turnover represented by export deliveries increased from 36 % in 1967 to 46 % in 1968.

The increased export sales covered the entire range of products. Industrial machines were responsible for the greatest increase on all markets. The value of export deliveries of these products increased by 32 % compared with 1967.

In spite of a decrease in deliveries to Denmark, Norway, Finland and Iceland, total export deliveries of agricultural machinery increased 13 % compared with 1967.

Increased deliveries of tracked vehicles to the Norwegian and British Armies contributed to the larger export volume as well as a large delivery of road graders to Turkey. Deliveries of component parts for the local assembly of agricultural tractors in Iran were resumed during the year.

The following table shows the distribution in the value of exports over the various market areas (kr. million):

	1968	1967
Scandinavia, Finland and Iceland	80.0	80.1
Western Europe	72.4	65.5
Eastern Europe	4.3	1.7
North America	20.5	6.6
Latin America	6.7	3.1
Asia	31.5	20.4
Africa	9.8	5.0
	225.2	182.4

Canada showed the most expansive development in deliveries. After introduction in 1967, a considerable number of agricultural tractors and combine harvesters of the largest types produced by the Company were delivered to this country.

Product Development

Investments made by the Company in product development increased during 1968 in accordance with a long-term plan for the expansion and modernization of the industrial machine programme and also for continued modernization within the group of agricultural machines. During 1968 the result of these investments was presented in the form of a new forestry machine of the load-carrying type, SM 668, with a 69 h.p. engine and a payload of 8 tons which has been developed in co-ordination with Östbergs Fabriks AB.

The new medium size combine harvester S 900 was first delivered for the harvest of 1968. During the autumn of 1968 a new smaller self-propelled combine harvester known as the S 830 was also presented. A new large four-wheel drive agricultural tractor with a Turbo-supercharged, six-cylinder Diesel engine is being developed and a prototype was presented at a machine demonstration during the autumn.

Buildings and Plant

During 1968 work was started on the erection of a new foundry in Arvika with a capacity of 25,000 tons which is to replace the three existing older foundries in Eskilstuna and Arvika. Project work on the new foundry has cost kr. 55 million. The Company has been granted permission to use the reserve for future investments for this purpose. A certain proportion of the planned production includes manufacture for AB Volvo.

Through revised dispositions and supplementary investments in machines within the Eskilstuna plant, productive capacity for tractors and industrial machines was increased. This reorganization included the transfer of road grader assembly to the workshops in Arvika.

At Brunnsta Säteri outside Eskilstuna, where the Company now has at its disposal an area suitable for industrial buildings, testing of new products and machine demonstrations, a new machine centre was erected during the year with machine halls, offices and training premises.

Subsidiaries

Volvo-Bolinders S.A., France, increased its turnover, excluding purchase tax expenses, by 27 % to Fr. 119.5 million. Volvo trucks were responsible for the greater part of this increase. Political unrest in the country caused considerable increases in wage costs which could not fully be compensated for by price increases.

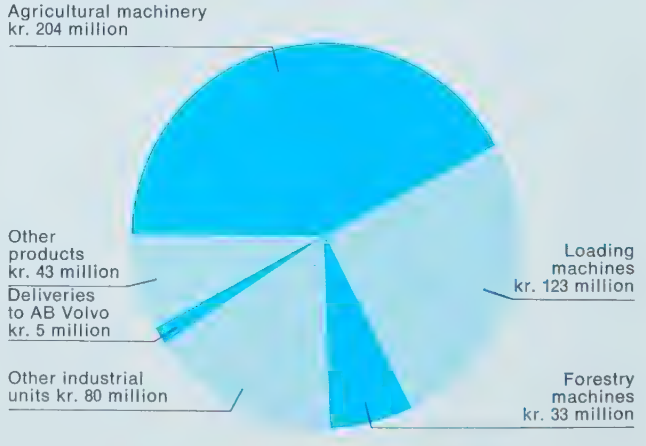
BM-Volvo Maschinen GmbH, West Germany, was able to increase its deliveries of loading machines in spite of restricted investments in the country during the greater part of 1968. Turnover attained DM 3.7 million.

Bolinders Norske A/S attained a turnover of Nkr. 64.1 million, an increase of 11 % compared with the 42 % increase attained in 1967. This decreased rate was associated with the general reduction in the rate of expansion of Norwegian economy. The new Company office, stores and workshop premises in Oslo were taken into use at the beginning of the year. Increased cost for premises and certain costs of a non-recurrent nature were debited the trading result of the year.

Volvo Traktor A/S, Denmark, noted a 10 % decrease in turnover to Dkr. 23.8 million. Danish agriculture suffered lower prices during 1968 and less reliable sales conditions for the export of its products. Tractor registrations decreased from 6,837 by 10 % to 6,164. BM-Volvo tractors maintained their share of the market at 12.6 %.

Sales of industrial machines remained at the same level as the previous year and made up ⅓ of Company turnover. During the autumn there was an increase in the direct sales of industrial machines. Offices, stores, workshops and showrooms were arranged in a hired industrial building on the outskirts of Copenhagen for this purpose.

AB Bolinder-Munktell sales per product group during 1968
Total sales kr. 488 million



Employees

The average number of employees was as follows:

	1968	1967
Salaried employees	1,604	1,623
Wage earners	2,634	2,928
Total	4,238	4,551

Wages, salaries and other emoluments during the year amounted to kr 98.2 million, of which kr. 0.5 million went to the Board, Management and Senior Executives, kr. 47.8 million to the remaining salaried employees and kr. 49.9 million to wage earners.

The cost of social benefits prescribed by law or through collective agreements, such as pensions, holidays with pay, etc. amounted during 1968 to the considerable sums specified below:

	kr. million
Annual and public holiday wages and salaries (included in the figures quoted above)	10.1
Pensions costs	10.8
Insurance contributions	3.2
Total	24.1
	(1967 = 23.2)

In addition to these obligatory undertakings, costs were also borne by the Company for training and education, health control, etc.

Disposition of Earnings

The result of the Company activities during 1968 and its position at the end of the year are shown in the accompanying Statement of Income together with the Balance Sheet.

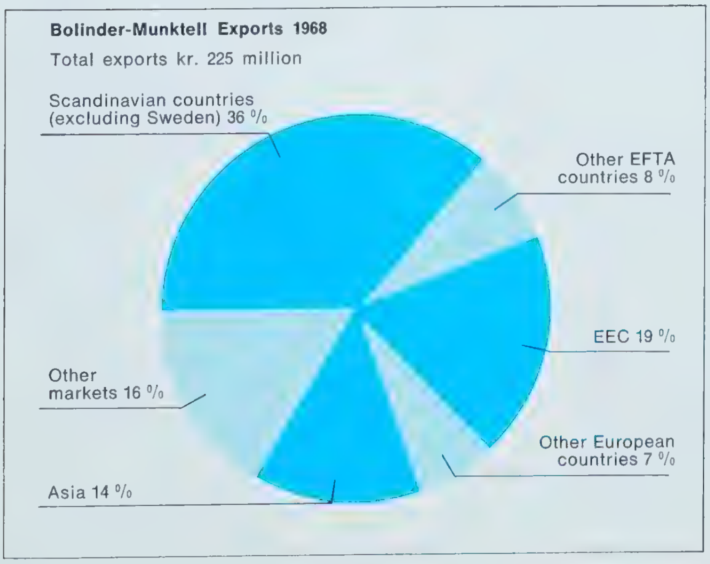
According to the Consolidated Balance Sheet drawn up, the consolidated income of the Parent Company and the subsidiaries for 1968 amounted to kr. 8,334,000: —. The total unappropriated earnings of the Group after legally prescribed allocations to reserves, transference to share capital through scrip issues and provision for the 1968 dividend to the Parent Company, amounted to kr. 910,000: —.

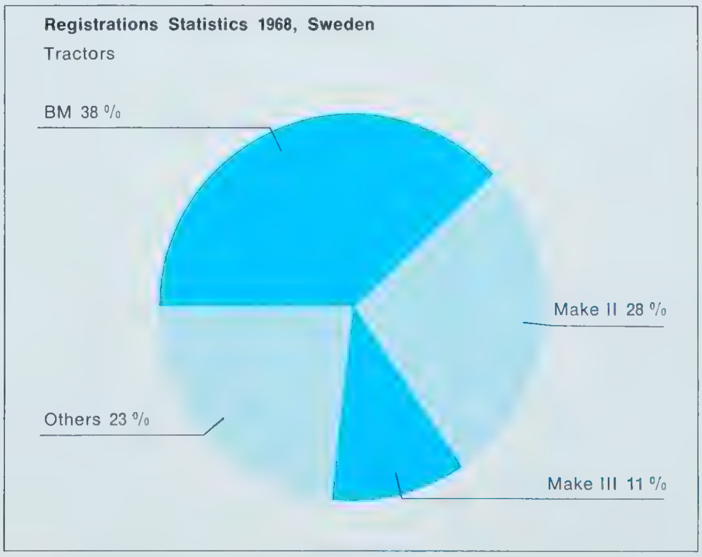
Available for disposition by the General Meeting:	kr 1,000
Balance of unappropriated earnings	2,653
Income for the year	8,102
Total	10,755

The Board and Managing Director propose that the above amount be disposed of according to the table below. The corresponding amounts approved by the General Meeting for 1967 are also given for purposes of comparison.

	kr 1,000 1968	1967
To the legal reserve	820	830
To share capital via the scrip issue .	5,000	5,000
6 % dividend on the share capital thus increased	4,200	3,300
To unappropriated earnings account .	735	2,653
Total	10,755	11,783

The Balance Sheet shows the position on the assumption that the General Meeting approves the proposal of the Board and Managing Director concerning the disposition of earnings.





Statement of Income for 1968

(amounts in kr. million)

	1968		Change from previous year
Sales		487.7	— 12.5
Cost of sales, selling and administrative expenses (of which depreciation according to plan 10.7)		466.5	— 7.2
Operating income		21.2	— 5.3
Miscellaneous income			
Dividends on shares (of which 0.5 from subsidiaries)	0.5		+ 0.4
Interest (of which 1.3 from subsidiaries)	6.5		+ 1.6
Sundry income	2.6	9.6	— 3.9
		30.8	— 7.2
Miscellaneous expenses			
Interest	4.8		— 0.4
Sundry expenses	3.0	7.8	+ 0.1
Income before allocations and taxes		23.0	— 6.9
Allocations			
Dissolution of general stock reserve	0.4		— 1.1
Extra depreciations re-transferred	1.7		+ 2.3
Allocation to reserve for future investments	10.7		— 0.8
Decrease of surplus in pension liability accounted	1.7	6.9	+ 1.5
Income before taxation		16.1	— 1.2
Taxes on income		8.0	— 1.1
Net income for 1968		8.1	— 0.1

Balance Sheet as at December 31, 1968

(amounts in kr. million)

Assets	1968		Change from previous year
Current assets			
Cash at banks and in hand (of which 0.8 on blocked accounts)	23.5		+ 15.8
Short-term loans and investments	27.0		+ 17.0
Accounts with subsidiaries	46.1		+ 19.5
Sundry debtors (of which 14.0 in exchange bills)	109.0		— 5.6
Stocks	164.7	370.3	— 27.9
Investment Account with Sveriges Riksbank		0.7	— 2.2
Fixed assets			
Long-term loans, subsidiaries	1.6		—
Long-term loans, sundry	0.7		— 3.0
Shares and stockholdings	9.7		—
Property, machinery and equipment	86.0	98.0	+ 4.4
Total assets		469.0	+ 18.0

Liabilities and shareholders' equity	1968		Change from previous year
Current liabilities			
Suppliers	27.0		— 9.0
Advance payments from customers	14.6		— 7.3
Group Companies (of which 0.5 concerns subsidiaries)	12.5		+ 2.4
Sundry current liabilities and provisions	65.2	119.3	+ 8.1
Long-term liabilities			
Group Companies (of which 1.0 concerns subsidiaries)	5.0		—
Promissory loans and mortgage loans	30.9		+ 1.5
Bond loans	11.9		— 0.6
Pensions liabilities	40.9	88.7	+ 0.3
Special allocations			
General stock reserve	115.2		— 0.4
Stock investment account	4.5		+ 4.5
Reserve for future investments	39.9		+ 0.9
Accumulated extra depreciations	21.2	180.8	+ 3.7
Shareholders' equity			
Share capital	65.0		+ 15.0
Proposed scrip issue	5.0		—
Legal reserve	9.5		+ 0.8
Unappropriated earnings	0.7		— 1.9
Total shareholders' equity		80.2	+ 13.9
Total liabilities and shareholders' equity		469.0	+ 18.0

Securities pledged		113.6	— 0.2
Contingent liabilities		53.9	+ 4.4

Svenska Flygmotor AB

Board: Gunnar Engellau (Chairman), Ebbe Svensson, Svante Simonsson, Per Ekström, Arne Körling (Managing Director)

Management Report

Aircraft Engines

The preliminary agreement concerning residual development work within aircraft system 37 and also a first series order, earlier agreed upon between the Swedish Air Force Material Administration (later known as the Swedish Defence Material Administration) and the industrial enterprises concerned, was finally approved by the Government Authorities during the spring. As far as the Company is concerned, this implies an order with a value of kr. 688 million concerning residual development work on the RM 8 turbojet engine and also the series manufacture of 195 engines, of which 95 are conditional and dependent on a decision to be made by the Swedish Parliament. This order means that the manufacture of aircraft engines is still to be the dominating task of the Company and is to provide satisfactory employment in the workshops up to the middle of the 1970's.

The extensive development work on the RM 8 engine continued to about the same extent as during earlier years. Certain test engines were delivered for continued air testing. RM 8 engines have now been run in test rigs and aircraft for a total period of 5,500 hours.

Series deliveries of the RM 8 engine are expected to start at the end of 1970. Extensive production preparations are going on and the manufacture of component parts for these deliveries was started during the year. This production requires advanced manufacturing technique to a certain extent and in many cases the techniques used are unique for Sweden.

The Company accepted a commission to carry out inspections of the first series-produced RM 8 engines.

Deliveries to the Swedish Defence Material Administration of RM 6 turbojet engines and spare parts for these remained at about the same level as during the previous year.

During the year, the Company received orders for RM 6 engines for the 46 aircraft of the Draken type sold by SAAB AB to the Danish Air Force. The agreement with SAAB also implies an option for further engines concerning Danish orders in the future.

Deliveries of aircraft engine components to Rolls-Royce, England, and Pratt & Whitney, USA, continued and further orders were received.

Activities in connection with inspection work on the American civil engine Pratt & Whitney JT 8 D, primarily for charter companies, continued and is to be expanded in stages.

Development work on the VR 35 liquid fuel rocket engine continued and manufacture was started on a short series of prototype engines for flight tests. Continued research and development work concerning robot engines was continued on behalf of the Swedish Defence Material Administration.

Other Products

Series deliveries of army tank S from AB Bofors to the Swedish Army continued during the year and manufacture by the

The SAAB test aircraft 37 Viggen powered by the Svenska Flygmotor RM 8 engine with the after-burner ignited.

Company of the engine installation for this tank on behalf of AB Volvo continued to an increased extent.

Development and test work on turbo-compressors and hydraulic machines continued.

During the autumn the first series-manufactured turbo-compressors were completed and deliveries for testing are going to many interested Diesel engine manufacturers in Sweden and abroad. Operational testing of the series version has been intensified in co-operation with and at the request of the Parent Company, AB Volvo.

During the spring the first series-manufactured units of hydraulic machines were delivered. In co-operation with AB Hägglund & Söner and Monsun-Tison AB, a combined British sales company was formed for the general marketing of the hydraulic products manufactured by the Company.

The subsidiary known as Grafiska Maskin Aktiebolaget encountered continued stiff marketing resistance which resulted in unsatisfactory sales and profitability. Three large offset presses for the printing of newspapers in Sweden were in course of production for delivery during 1969.

Deliveries of steering systems for AB Volvo motor vehicles continued to an increasing extent.

Miscellaneous Information

The shares in the Company have been held since 1941 by AB Volvo and AB Bofors with Volvo as the principal interested party. At the end of 1968 Volvo acquired the shares held by Bofors with the result that the Company is now a fully-owned Volvo company.

As a result of the RM 8 contract and the business with Denmark, the total number of orders held by the Company increased to a significant extent during the year in spite of the deterioration in the graphic branch.

Together with a number of other Swedish industrial enterprises, the Company took part during 1967 in the formation of AB Monitor which is intended to carry out the marketing and manufacture of atomic power station plants in Sweden in co-ordination with Westinghouse, USA. During 1968 Westinghouse and Monitor received an order for an atomic power station, Ringhals II. Investigations are now going on concerning the extent to which the Company is co-ordinating.

In order to satisfy the special requirements concerning available area and heat-treatment facilities in connection with the manufacture of the RM 8 engine, work was started during the year on the construction of a workshop building with a floor area of 4,500 m² (48,000 sq.ft.). Investments in plant and buildings, machinery, experimental and test resources and other equipment involved a cost of kr. 15 million. Of the investments approved, kr. 23 million remained to be paid at the end of the year.

	1968	1967
Average number of employees:		
Salaried employees	1,009	979
Wage earners	1,246	1,142
Total	2,255	2,121

Wages, salaries and other emoluments during the year amounted to kr 62,178,000: —, of which kr. 814,000: — went to the Board, Management and Senior Executives, kr. 33,681,000: — to remaining salaried employees and kr. 27,683,000: — to wage earners.

The cost of social benefits prescribed by law or through collective agreements, such as pensions, holidays with pay, etc., amounted during 1968 to the considerable sums specified below:

	kr. 1,000
Annual and public holiday wages and salaries (included in the figures quoted above)	6,179
Pension costs	6,426
Insurance contributions	1,803
Total	14,408
	(1967 = 12,498)

In addition to these obligatory undertakings, costs were also borne by the Company for training and education, health control, etc.

Disposition of Income

The result of the Company activities during 1968 and its position at the end of the year are shown in the accompanying Statement of Income together with the Balance Sheet.

According to the Consolidated Balance Sheet drawn up, the unappropriated earnings of the Group at December 31, 1968, amounted to kr. 2,613,000: —. Of this, kr. 185,000: — is needed for the proposed allocations to reserves.

The General Meeting in 1968 decided that kr. 450,000: — of the kr. 5,236,000: — at the disposal of the General Meeting should be allocated to a supplementary legal reserve and that kr. 2,880,000: — should be allotted as dividend to the shareholders.

With respect to the deterioration in the trading result for the year and with respect to the financing requirements of the Company for the new civil product programme, the entire trading surplus for the year has been reserved. After allocation to the general stock reserve amounting to kr. 3.8 million (kr. 4.8 million in 1967) and taxes amounting to kr. 0.2 million (kr. 1.8 million) there is therefore neither profit nor loss to be accounted for.

The balance of unappropriated earnings at the disposal of the General Meeting from the previous year amounts to kr. 1,906,000: —. The Board and Managing Director propose that the above amount be transferred to a new unappropriated earnings account. No dividend to shareholders is proposed.

The Balance Sheet shows the position on the assumption that the General Meeting approves the proposal of the Board and Managing Director concerning the disposition of earnings.

Statement of Income for 1968

(amounts in kr. million)

	1968		Change from previous year
Sales		171.6	+ 3.6
Cost of sales, selling and administrative expenses, of which depreciation according to plan 8.5 (general administrative expenses 1.4)		171.3	+ 8.4
Operating income		0.3	— 4.8
Miscellaneous income			
Interest	3.8		+ 0.3
Sundry income	0.1	3.9	—
		4.2	— 4.5
Miscellaneous expenses			
Interest		0.2	—
Income before allocations and taxes		4.0	— 4.5
Allocations			
Allocation to general stock reserve		3.8	— 1.0
Income before taxation		0.2	— 3.5
Taxes on income		0.2	— 1.6
Net income for 1968		0	— 1.9

Balance Sheet as at December 31, 1968

(amounts in kr. million)

Assets	1968		Change from previous year
Current assets			
Cash at banks and in hand (of which 5.0 on blocked accounts)	17.3		— 17.9
Short-term loans and investments (of which 40.0 on blocked accounts)	74.0		+ 68.0
Accounts with Group companies	13.5		+ 10.6
Sundry debtors (of which 4.8 in exchange bills)	33.7		— 15.3
Stocks	139.5	278.0	+ 15.7
Fixed assets			
Long-term loan to subsidiary companies	0.4		—
Shares and stockholdings	0.9		+ 0.1
Property, machinery and equipment	50.8	52.1	+ 6.1
Total assets		330.1	+ 67.3

Liabilities and shareholders' equity

Curent liabilities			
Suppliers	13.1		+ 5.0
Advance payments from Swedish Defence Material Administration	135.8		+ 44.7
Advance payments from other sources (of which Parent Company 6.9)	24.6		+ 11.1
Subsidiary companies	0.5		+ 0.3
Sundry current liabilities and provisions	19.6	193.6	— 1.1
Long-term liabilities			
Subsidiary companies	0.6		—
Promissory loans	4.3		+ 1.0
Pensions liabilities	8.2	13.1	+ 2.5
Special allocations			
General stock reserve	69.8		+ 3.8
Reserve for future investments	—		— 2.0
Accumulated extra depreciations	4.0	73.8	+ 2.0
Shareholders' equity			
Share capital	36.0		—
Legal reserve	7.2		—
Supplementary legal reserve	4.5		—
Unappropriated earnings	1.9		—
Total shareholders' equity		49.6	—
Total liabilities and shareholders' equity		330.1	+ 67.3

Securities pledged		202.3	+ 36.2
Contingent liabilities		7.4	+ 3.8

Activities of the Subsidiary Companies

Sweden

AB Bolinder-Munktell: see pages 32—37. *Svenska Flygmotor AB:* see pages 38—41.

The sales and trading results of *AB Volvo Penta* are included in the Volvo Activities. A commentary on the activities of AB Volvo Penta is included on pages 30 and 31.

The manufacture and sales of machine tools by *Köpings Mekaniska Verkstads AB* has been carried out, particularly during recent years, in the face of particularly stiff international competition and with a decreasing tendency towards investments being discernible in Sweden. As a result of this, when Volvo required the complete KMVA production capacity for its increasing production and when, in addition to this, the opportunity was offered for its absorption in a larger company, this was judged from all viewpoints to be correct structural rationalization.

After AB Volvo acquired the plant and buildings, machinery, stocks, etc of KMVA during the year concerning the manufacturing carried out by the company for the Volvo Group, shareholdings in the company as well as its manufacture of machine tools were transferred with effect from January 1969 to the National Swedish Defence Factories. This manufacture is to be moved in stages during 1969—1970 to Västerås. With effect from the end of 1967, production for the Volvo Group was carried out under the name of *AB Volvo, Bergslagsverken* in Köping. All those who have been engaged in the production of machines for KMVA have received employment in other Volvo companies or at the Västerås company.

The task of *AB Volvator* is to administer Volvo engagements in the distribution network in Scandinavia, Finland and Iceland and otherwise, when necessary, contribute to the development of the dealer organization in this market area.

In 1968 this company took over earlier Volvo shareholdings in dealer companies, acquired several more dealer companies and thus became a minority shareholder in several companies.

As part of the current structural rationalization work now being carried out on the distribution and servicing organization in the Stockholm area, Volvator acquired all the shares in Lastbilsbolaget Norr AB and 40 % of the shares in the newly established car company AB Bilia. In January 1969 all the shares in Ernst Grauers AB were acquired, this company having sold Volvo trucks in the southern area of Stockholm. This business is to be transferred to Lastbilsbolaget Norr AB and the name of the company is to be changed to Volvo Lastbilar i Stockholm AB.

The company acquired 60 % of the shares in Nyköpings Bil- & Motorcentral AB during 1968. During the same year 30 % of the shares in Automobilfirma F. O. Hallenberg AB in Skövde were also acquired and in 1969 Volvator becomes part-owner with 25 % of the shares in Ramers Bil AB in Örebro.

Ernst Nilson AB, Stockholm, Dalbo Bil AB, Åmål, and Motorcentralen i Ljungby AB, Ljungby — which are subsidiaries to Volvator — carried out business on a commission basis during the year on behalf of the Parent Company.

The new AB Verdexa truck centre in Malmö.

In 1968 Volvo granted Volvator a Group contribution of kr. 4.8 million to be used for intensified consolidation. In addition to this Volvo granted a shareholder supplement of kr. 7.6 million to be disposed of by Volvator for writing down of the shares in Ernst Nilson AB, Stockholm.

The company then accounted for a slight profit for the first year of activity in 1968, this being transferred to a new account.

As was the case during the previous year, the turnover and results of *AB Volvo-Data* are included in the Volvo accounts. During 1968 the data processing capacity at both the computer installations in Gothenburg and Eskilstuna was expanded. The combined value of newly installed equipment has thereby exceeded kr. 30 million.

Service was provided to a large number of dealers both in Sweden and abroad in addition to the Parent Company and Bolinder-Munktell.

Premium income in *Försäkrings-AB Volvia* increased by 7 %, while damage compensation costs became lower at the same time. The results of the company improved considerably and this made possible a certain decrease of premiums during the year.

Maximum reserve allocations were made to the insurance fund as well as more than kr. 2 million to the equalization fund. In addition to this there was a higher net profit than during 1967. The Board proposes unchanged dividend and a scrip issue amounting to kr. 500,000: —.

Abroad

The Finnish subsidiary, *Oy Volvo-Auto Ab,* recorded lower sales than the previous year but attained a satisfactory degree of profitability. An unchanged dividend is proposed.

The Danish subsidiary *Volvo Bil A/S* also recorded a decrease in turnover. The trading surplus was very satisfactory in spite of this and an increased dividend to the Parent Company is proposed.

Both the Danish and Finnish subsidiaries noted losses during 1967 due to devaluation. It was found possible to compensate for a certain part of these losses during 1968.

Norsk Volvo A/S noted an unchanged sales volume and a significant increase in profits. The Board proposes unchanged dividend and a scrip issue of shares.

The Volvo manufacturing company in Belgium, *Volvo Europa N.V.,* Ghent, increased its deliveries of cars by 35 % to 16,723 units. Truck deliveries increased as a result of the improved state of the truck market during the later part of the year to 1,548 units (1,468 units during 1967). The value of deliveries effected by the company increased by 27 % to kr. 224 million. Profitability was satisfactory and the Board proposes an unchanged 6 % dividend on the share capital which was increased by 100 %. Marketing of Company products was

In the autumn of 1968 the two Group companies Bolinders Norske A/S and Norsk Volvo A/S inaugurated a new plant in Oslo with sales offices, service workshops and spare parts stores.

taken care of by the company known as *Volvo Continental S.A.* in Ghent which was created for this purpose in 1967. The number of employees in both companies was 705 at the end of the year (+ 78).

The turnover of the West German company, *Volvo GmbH* was rather lower than in 1967. The profit is being distributed to the shareholders.

Automobiles Volvo S.A., Switzerland, increased sales by 32 % and the trading surplus increased to a corresponding extent, this making possible a higher dividend. The main plant in Lyss is being extended and two new sales and service plants for trucks are being erected at Lausanne and Lucerne.

Volvonia S.A., Geneva, is mainly concerned in financing trade with Volvo products among importers and dealers in both Switzerland and adjacent markets. The volume of activities increased and a 6 % dividend is being paid on the share capital which was increased during the year.

The increase in sales in the *USA* continued and turnover was kr. 642 million (+ 29 %). The development of profit for the subsidiaries was very satisfactory. Advance dividends were paid for the first half of the year and these, together with the final dividend, will amount to the same sum as the previous year or rather more than kr. 12 million.

Extension work on the office and stores building for spare parts at the head office in Rockleigh, N.J. was completed and corresponding extension work is going on at the distributor company in Houston, Texas.

Volvo (Canada) Ltd. increased its turnover to kr. 90 million (+ 32 %). The trading result was considerably improved and a higher dividend is to be paid out. A new spare parts building was erected in Montreal and a decision has been made to build a similar plant in Vancouver. Production at the factory in Halifax increased during the year from 90 to 135 units per week.

The subsidiaries in *Peru* encountered severe economical difficulties within the country and this resulted in a marked deterioration on the market.

The turnover of the companies decreased to a marked extent due to the above-mentioned conditions. In spite of support from the Parent Company, the companies noted an overall slight deficit and some losses due to devaluation still remain to be accounted for

The AB Volvo-Data installation in Gothenburg.

Exports of Vital Significance for the Future of Volvo

During 1968 the proportion of Volvo turnover represented by exports amounted to more than 58 %. The investment plans for the 1970's recently published by the Company are based on sales development in which exports are to be responsible for 75—80 % by the end of the next ten-year period. With the dominating significance of exports in Volvo sales and development possibilities, the Company occupies a unique position among the motor vehicle industries of the world. Sweden constitutes an unusually small domestic market for this type of industry from an international viewpoint. The low customs duties in Sweden and the high cost situation by international standards also result in stiff competition from imported makes. A gradual increase in production volume creates the vital conditions for the rationalization which is needed to result in increased competitive power in both Sweden and abroad. Considerable investments in product development and marketing aimed at giving Volvo products an international leading position with regard to quality, operating economy and safety constitute the most significant competitive factor available to the Company.

The computer plant in the EEC factory.

Volvo Europa N.V., Ghent.

Volvo is the largest export company in Sweden and in 1968 the Group was responsible for 6.7 % of total Swedish exports. Volvo was also responsible for about three quarters of total Swedish motor vehicle exports. During 1968 the Volvo Group of Companies provided Sweden with export income amounting to more than kr. 1,700 million or about 1 million kronor per working hour. About 50,000 Swedish people are engaged in production work for the Company at more than 500 places all over Sweden. This means that an increase in the exports of the Company will have the greatest significance for the community.

Exports responsible for greater part of increase in sales

Even if sales on the domestic market dominated during the first years of Volvo's existence, exports were involved right from the very start. During the second year of production, 1928, the very first units were exported, all going to Finland. In 1933 exports amounted to kr. 3 million or 25 % of total sales and were distributed between the Scandinavian countries, Holland, Morocco, Palestine, Syria and Egypt. During the 1950's the proportion of sales represented by exports increased from 24 % in 1950 to 43 % in 1959. The greatest increase, however, has taken place during the 1960's as shown by the following table which covers exports of cars, trucks and buses:

	Value of exports kr. million	% of total sales
1933	3	25
1950	46	24
1959	431	43
1968	1,464	58

During the last ten-year period, exports have increased by 240 % while sales in Sweden have increased by 80 %. Exports have been responsible for more than ⅔ of the total increase in sales during this period. The forecasts on which investment plans for the 1970's are based indicate that, as far as cars are concerned, Volvo exports at the end of the 1970's will amount to 75—80 % of Company car production.

Significant Demand for Investments Concerning the 1970's

This development will demand considerable investments on behalf of the Company primarily in the expansion of resources for product development, production and marketing. The last ten years have shown new patterns and problems for export sales which have required a completely new attitude — the tendency towards the creation of large markets and market blocs of the EEC type as well as, for example, the problem of under-developed countries with the frequently recurring demand for local assembly on a small scale, long-term credits and technical assistance. The stiffer level of international

Page 46, top. The import plant in West Germany.

Page 46, bottom. The Häusermann import plant outside Zurich.

Below. The assembly factory for Group products in Teheran.

competition has also tended towards fewer and larger manufacturers. The high cost level in Sweden from an international viewpoint also constitutes a handicap in competition with international manufacturers. On the other hand, the customs duty decreases resulting from the Kennedy Round facilitate export to many important markets .

Marketing Based on High Quality is Expensive But a Vital Competitive Factor

The capacity of the Company to maintain its position in international competition is based on product development and marketing with high quality as a key factor. Significant investments in product development are aimed at giving Volvo products a leading position concerning quality, operating economy and safety. One objective has been to extend the concept of quality to concern not only the products themselves but also service, spare parts accessibility and accessories. Volvo sales successes — both in Sweden and abroad — are based to a very high extent on the significant and determined investment made by Volvo, its subsidiaries and independent representatives in building up a well-equipped service organization and spare parts service. This marketing policy based on high quality is expensive. Extensive investments must be made in a service network, spare parts depots, training of personnel, etc. before sales start and before there is any income at all. Through its own foreign subsidiaries, Volvo has to an increasing extent taken the initiative for the expansion and reinforcement of representation abroad and this has meant an investment of about kr. 100 million during the last ten-year period. At the end of the 1950's, Volvo subsidiaries abroad were responsible for about 20 % of Volvo exports. In 1968 their share was 59 % (kr. 869 million).

As far as the 1970's are concerned, Volvo intends to continue its planned expansion of service and sales organizations. A further sum amounting to kr. 50—100 million is expected to be invested in marketing within the most significant export areas — primarily Europe.

Trading Blocs Complicate Marketing

The associations of individual countries in trading blocs occurring during the latest ten-year period have in certain cases created problems for exports in the forms of external customs barriers and other export obstacles. For many years, for example, the negotiations concerning closer co-operation between EEC and EFTA had no results and caused a degree of insecurity in the long-term planning of export activities for certain European markets which were important for Volvo.

At the beginning of the 1960's, Volvo had to choose between either retaining all manufacturing activities in Sweden and delivering finished vehicles to the EEC market or moving part of the manufacturing activities there. In the first case, the high customs duties would have a negative effect on the sales while manufacture within EEC would result in the loss of production advantages derived from long series. Volvo decided to establish itself in Belgium, where the Company today has a car factory in Ghent and a truck factory in Alsemberg. Even as late as

The factory in Malaysia.

the beginning of 1969 there are no signs of any early solution to the EEC/EFTA problem. As a result of this Volvo investment plans for the 1970's include expansion of the productive capacity in Belgium to 50,000 cars annually.

The Kennedy Round in 1967 resulted in a decrease of 50 % of customs duty on cars to EEC. This means that assembly in Belgium is still profitable and implies considerable advantages from many viewpoints.

As far as imports into EFTA countries are concerned, Volvo products have the advantage of practically no duties at all. In some of the countries concerned fiscal taxes remain.

The Establishment of Production — A Demand from the Developing Countries

During the last 10—15 years, more and more developing countries have permitted foreign motor vehicle industries to establish assembly there and in many cases also the manufacture of components in the country itself. At the same time, the import of motor vehicles and motor vehicle components from other foreign factories has either been completely banned or has been subjected to prohibitive customs duties.

Those motor vehicle industries which have significant exports of finished vehicles to a market of this type must decide between either competing in an establishment project which would provide the possibility for the continued export of at least certain component parts during an undetermined future or else losing the market completely. On the other hand, a project of this type often requires considerable investments, long-term credits and significant technical assistance. In most cases it may be preferable to invest the corresponding resources in a "base market" to which exports of finished vehicles can be carried out and where an extra investment in marketing can give a faster result in the form of increased sales.

Volvo Western Distributing Inc., Torrance, California, USA.

Significant Investments for Increased Exports

A period of standstill in development would constitute a recession for Volvo — the start of a decrease — and would imply a serious deterioration in the competitive capacity and vitality of the Company. The possibilities of Volvo to expand primarily concern the export markets. The large investments for the 1970's include a marked expansion of the productive capacity of Volvo aimed at multiplying exports of both cars and commercial vehicles towards the end of the 1970's. In this connection trucks will play a significant part in the development of Volvo exports. The large investments in resources for research and product development as well as marketing, for which detail planning is already going on, constitute an essential operation for Volvo in the continually stiffening competition on the world market.

At right, top. Volvo Inc., Rockleigh, N.J., USA.

At right, bottom. Volvo Southwest Inc., Houston, Texas, USA.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